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

Amity Fire District/2742
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
Amity Fire District/2742

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

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

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

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

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

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September 28, 2012
Amity Fire District/2742

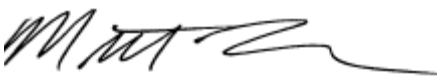
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable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

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

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

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

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

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

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Amity Fire District -- #2742

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Amity Fire District to:

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

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

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Executive Summary

Employer Contribution Rates

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

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

Employer Rates Effective July 1, 2013, for Amity Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.06%	7.92%	15.06%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(5.23%)	(5.23%)	(5.23%)	(5.23%)	(5.23%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**18.58%**	**11.44%**	**18.58%**	**9.79%**	**12.52%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.17%**	**12.03%**	**19.17%**	**10.28%**	**13.01%**

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

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

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

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Executive Summary

Employer Contribution Rates (continued)

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

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

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

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

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

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Executive Summary

Accounting Information

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

Pension

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

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

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.82%	6.62%	14.82%	5.17%	7.88%
July 1, 2013 to June 30, 2015	18.58%	11.44%	18.58%	9.79%	12.52%

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

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

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

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Executive Summary

Principal Valuation Results

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

Amity Fire District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$157,454	$119,613
Allocated pre-SLGRP pooled liability/(surplus)	(20,154)	(19,091)
Transition liability/(surplus)	(60,051)	(60,764)
Allocated pooled OPSRP UAL	1,685	1,153
Side account	0	0
Net unfunded pension actuarial accrued liability	78,934	40,911
Combined valuation payroll	98,770	92,865
Net pension UAL as a percentage of payroll	80%	44%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(5.23%)	(5.39%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,559	$3,341
Allocated pooled RHIPA UAL	$0	$0

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

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Executive Summary

Principal Valuation Results (continued)

SLGRP

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

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

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Executive Summary

Principal Valuation Results (continued)

OPSRP

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

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

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

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

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	93,634	14,101	14.74%	92,865	13,688
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**93,634**	**14,101**		**92,865**	**13,688**
Total		**$93,634**	**$14,101**		**$92,865**	**$13,688**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.06%**			**14.74%**
Aggregate (Default)			**15.06%**			**14.74%**

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

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

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

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($60,764)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(5.84%)
B. Actual employer payroll	45,757
C. Payment to transition liability/(surplus)	(2,672)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.44%)
B. Actual employer payroll	45,757
C. Payment to transition liability/(surplus)	(2,489)
4. Supplemental payment to transition liability	0
5. Interest	(4,448)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($60,051)**

Development of Transition Liability or Surplus Rate

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

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(60,051)	(60,764)
2. Combined valuation payroll	98,770	92,865
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(5.23%)**	**(5.39%)**

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Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

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

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Side Account Information

Side Account Balances

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

Development of Side Account Rate

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

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	98,770	92,865
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

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

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Brief Summary of Methods and Assumptions

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

Methods

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

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

Economic Assumptions

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

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

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

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Brief Summary of Changes in Plan Provisions

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

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

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

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Glossary

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

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

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

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

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

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

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

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

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

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

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Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

September 28, 2012

Arch Cape Water-Sanitary District/2631
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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

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September 28, 2012
Arch Cape Water-Sanitary District/2631

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

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

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

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

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

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September 28, 2012

Arch Cape Water-Sanitary District/2631

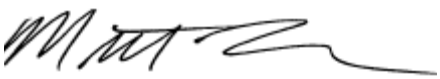
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable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

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

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

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

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

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

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Arch Cape Water-Sanitary District -- #2631

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Arch Cape Water-Sanitary District to:

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

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

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Executive Summary

Employer Contribution Rates

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

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

Employer Rates Effective July 1, 2013, for Arch Cape Water-Sanitary District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.72%	7.72%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(5.28%)	(5.28%)	(5.28%)	(5.28%)	(5.28%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**12.95%**	**12.95%**	**20.32%**	**11.50%**	**14.23%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.54%**	**13.54%**	**20.91%**	**11.99%**	**14.72%**

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

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

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

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Executive Summary

Employer Contribution Rates (continued)

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

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

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

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

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

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Executive Summary

Accounting Information

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

Pension

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

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

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	7.80%	7.80%	15.67%	6.44%	9.15%
July 1, 2013 to June 30, 2015	12.95%	12.95%	20.32%	11.50%	14.23%

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

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

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

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Executive Summary

Principal Valuation Results

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

Arch Cape Water-Sanitary District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$190,955	$145,301
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(73,538)	(74,861)
Allocated pooled OPSRP UAL	2,044	1,401
Side account	0	0
Net unfunded pension actuarial accrued liability	119,461	71,841
Combined valuation payroll	119,785	112,808
Net pension UAL as a percentage of payroll	100%	64%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.28%)	(5.47%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$3,103	$4,059
Allocated pooled RHIPA UAL	$0	$0

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

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Executive Summary

Principal Valuation Results (continued)

SLGRP

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

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

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Executive Summary

Principal Valuation Results (continued)

OPSRP

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

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

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

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

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$69,721	$4,030	5.65%	$65,673	$3,711
Tier 2 General Service	10.42%	50,064	5,217	10.34%	47,135	4,874
Total General Service		**119,785**	**9,247**		**112,808**	**8,585**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$119,785**	**$9,247**		**$112,808**	**$8,585**
Employer normal cost rate						
General Service			**7.72%**			**7.61%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.72%**			**7.61%**

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

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

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

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($74,861)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(5.95%)
B. Actual employer payroll	57,769
C. Payment to transition liability/(surplus)	(3,437)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.87%)
B. Actual employer payroll	56,784
C. Payment to transition liability/(surplus)	(3,333)
4. Supplemental payment to transition liability	0
5. Interest	(5,447)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($73,538)**

Development of Transition Liability or Surplus Rate

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

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(73,538)	(74,861)
2. Combined valuation payroll	119,785	112,808
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(5.28%)**	**(5.47%)**

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Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

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

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Side Account Information

Side Account Balances

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

Development of Side Account Rate

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

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	119,785	112,808
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

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

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Brief Summary of Methods and Assumptions

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

Methods

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

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

Economic Assumptions

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

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

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

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Brief Summary of Changes in Plan Provisions

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

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

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

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Glossary

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

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

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

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

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

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

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

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

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

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

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Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Aumsville Rural Fire Protection District/2602
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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

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September 28, 2012
Aumsville Rural Fire Protection District/2602

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

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

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

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

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

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012

Aumsville Rural Fire Protection District/2602

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

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

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

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

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

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

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Aumsville Rural Fire Protection District -- #2602

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Aumsville Rural Fire Protection District to:

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

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

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Executive Summary

Employer Contribution Rates

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

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

Employer Rates Effective July 1, 2013, for Aumsville Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.09%	10.42%	15.06%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(4.80%)	(4.80%)	(4.80%)	(4.80%)	(4.80%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.80%**	**16.13%**	**20.77%**	**11.98%**	**14.71%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.39%**	**16.72%**	**21.36%**	**12.47%**	**15.20%**

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

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

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

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Executive Summary

Employer Contribution Rates (continued)

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

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

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

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

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

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Executive Summary

Accounting Information

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

Pension

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

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

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.82%	10.93%	16.82%	7.17%	9.88%
July 1, 2013 to June 30, 2015	19.80%	16.13%	20.77%	11.98%	14.71%

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

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

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

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Executive Summary

Principal Valuation Results

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

Aumsville Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$372,246	$292,319
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(130,316)	(132,649)
Allocated pooled OPSRP UAL	3,984	2,818
Side account	0	0
Net unfunded pension actuarial accrued liability	245,914	162,488
Combined valuation payroll	233,507	226,950
Net pension UAL as a percentage of payroll	105%	72%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.80%)	(4.82%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$6,049	$8,165
Allocated pooled RHIPA UAL	$0	$0

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

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Executive Summary

Principal Valuation Results (continued)

SLGRP

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

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

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Executive Summary

Principal Valuation Results (continued)

OPSRP

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

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

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

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

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	35,200	3,668	10.34%	32,028	3,312
Total General Service		**35,200**	**3,668**		**32,028**	**3,312**
Tier 1 Police & Fire	15.06%	133,387	20,088	14.74%	131,424	19,372
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**133,387**	**20,088**		**131,424**	**19,372**
Total		**$168,587**	**$23,756**		**$163,452**	**$22,684**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.06%**			**14.74%**
Aggregate (Default)			**14.09%**			**13.88%**

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

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

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

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($132,649)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(5.64%)
B. Actual employer payroll	108,084
C. Payment to transition liability/(surplus)	(6,096)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.14%)
B. Actual employer payroll	114,585
C. Payment to transition liability/(surplus)	(5,890)
4. Supplemental payment to transition liability	0
5. Interest	(9,653)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($130,316)**

Development of Transition Liability or Surplus Rate

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

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(130,316)	(132,649)
2. Combined valuation payroll	233,507	226,950
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.80%)**	**(4.82%)**

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Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

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

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Side Account Information

Side Account Balances

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

Development of Side Account Rate

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

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	233,507	226,950
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

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

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Brief Summary of Methods and Assumptions

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

Methods

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

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

Economic Assumptions

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

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

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

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Brief Summary of Changes in Plan Provisions

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

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

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

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Glossary

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

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

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

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

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

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

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

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

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

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

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Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

September 28, 2012

Aurora Rural Fire Protection District/2804
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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

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September 28, 2012
Aurora Rural Fire Protection District/2804

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

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

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

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

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

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September 28, 2012

Aurora Rural Fire Protection District/2804

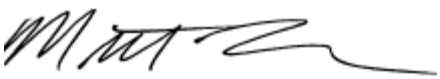
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable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

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

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

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

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

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

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Aurora Rural Fire Protection District -- #2804

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Aurora Rural Fire Protection District to:

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

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

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

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

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

Employer Rates Effective July 1, 2013, for Aurora Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.12%	7.92%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(10.30%)	(10.30%)	(10.30%)	(10.30%)	(10.30%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.33%**	**8.13%**	**15.33%**	**6.48%**	**9.21%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.92%**	**8.72%**	**15.92%**	**6.97%**	**9.70%**

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

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

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

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Executive Summary

Employer Contribution Rates (continued)

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

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

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

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

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

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Executive Summary

Accounting Information

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

Pension

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

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

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.97%	3.61%	10.97%	2.16%	4.87%
July 1, 2013 to June 30, 2015	15.33%	8.13%	15.33%	6.48%	9.21%

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

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

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

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Executive Summary

Principal Valuation Results

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

Aurora Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$430,109	$342,456
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(323,135)	(325,080)
Allocated pooled OPSRP UAL	4,603	3,301
Side account	0	0
Net unfunded pension actuarial accrued liability	111,577	20,677
Combined valuation payroll	269,804	265,875
Net pension UAL as a percentage of payroll	41%	8%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(10.30%)	(10.08%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$6,989	$9,566
Allocated pooled RHIPA UAL	$0	$0

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

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Executive Summary

Principal Valuation Results (continued)

SLGRP

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

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

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Executive Summary

Principal Valuation Results (continued)

OPSRP

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

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

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

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

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	75,073	11,351	15.03%	76,750	11,536
Total Police & Fire		**75,073**	**11,351**		**76,750**	**11,536**
Total		**$75,073**	**$11,351**		**$76,750**	**$11,536**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**15.12%**			**15.03%**

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

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

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

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($325,080)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(10.15%)
B. Actual employer payroll	125,173
C. Payment to transition liability/(surplus)	(12,705)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(10.15%)
B. Actual employer payroll	129,816
C. Payment to transition liability/(surplus)	(13,176)
4. Supplemental payment to transition liability	0
5. Interest	(23,936)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($323,135)**

Development of Transition Liability or Surplus Rate

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

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(323,135)	(325,080)
2. Combined valuation payroll	269,804	265,875
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(10.30%)**	**(10.08%)**

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Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

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

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Side Account Information

Side Account Balances

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

Development of Side Account Rate

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

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	269,804	265,875
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

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

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Brief Summary of Methods and Assumptions

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

Methods

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

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

Economic Assumptions

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

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

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

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Brief Summary of Changes in Plan Provisions

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

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

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

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Glossary

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

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

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

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

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

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

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

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

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

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

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Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

September 28, 2012

Baker County Library District/2728
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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

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September 28, 2012
Baker County Library District/2728

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

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

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

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

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

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September 28, 2012

Baker County Library District/2728

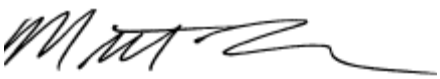
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable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

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

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

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

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

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

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Baker County Library District -- #2728

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Baker County Library District to:

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

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

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

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

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

Employer Rates Effective July 1, 2013, for Baker County Library District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.93%	8.93%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(2.43%)	(2.43%)	(2.43%)	(2.43%)	(2.43%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.01%**	**17.01%**	**23.17%**	**14.35%**	**17.08%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.60%**	**17.60%**	**23.76%**	**14.84%**	**17.57%**

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

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

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

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Executive Summary

Employer Contribution Rates (continued)

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

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

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

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

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

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Executive Summary

Accounting Information

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

Pension

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

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

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.74%	11.74%	18.95%	9.72%	12.43%
July 1, 2013 to June 30, 2015	17.01%	17.01%	23.17%	14.35%	17.08%

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

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

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

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Executive Summary

Principal Valuation Results

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

Baker County Library District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$619,631	$494,666
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(109,961)	(114,216)
Allocated pooled OPSRP UAL	6,632	4,768
Side account	0	0
Net unfunded pension actuarial accrued liability	516,302	385,218
Combined valuation payroll	388,690	384,047
Net pension UAL as a percentage of payroll	133%	100%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.43%)	(2.45%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$10,069	$13,817
Allocated pooled RHIPA UAL	$0	$0

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

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Executive Summary

Principal Valuation Results (continued)

SLGRP

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

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

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Executive Summary

Principal Valuation Results (continued)

OPSRP

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

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

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

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

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$62,723	$3,625	5.65%	$92,131	$5,205
Tier 2 General Service	10.42%	132,142	13,769	10.34%	126,632	13,094
Total General Service		**194,865**	**17,394**		**218,763**	**18,299**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$194,865**	**$17,394**		**$218,763**	**$18,299**
Employer normal cost rate						
General Service			**8.93%**			**8.36%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.93%**			**8.36%**

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

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

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

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($114,216)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.19%)
B. Actual employer payroll	207,634
C. Payment to transition liability/(surplus)	(6,624)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.59%)
B. Actual employer payroll	223,039
C. Payment to transition liability/(surplus)	(5,776)
4. Supplemental payment to transition liability	0
5. Interest	(8,145)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($109,961)**

Development of Transition Liability or Surplus Rate

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

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(109,961)	(114,216)
2. Combined valuation payroll	388,690	384,047
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.43%)**	**(2.45%)**

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Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

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

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Side Account Information

Side Account Balances

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

Development of Side Account Rate

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

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	388,690	384,047
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

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

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Brief Summary of Methods and Assumptions

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

Methods

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

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

Economic Assumptions

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

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

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

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Brief Summary of Changes in Plan Provisions

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

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

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

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Glossary

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

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

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

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

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

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

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

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

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

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

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Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 28, 2012

Baker County/2021
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012
Baker County/2021

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

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

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

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

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

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Milliman

September 28, 2012

Baker County/2021

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

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

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

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

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

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

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Baker County -- #2021

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Baker County to:

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

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

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Executive Summary

Employer Contribution Rates

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

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

Employer Rates Effective July 1, 2013, for Baker County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.63%	8.83%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(4.04%)	(4.04%)	(4.04%)	(4.04%)	(4.04%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.10%**	**15.30%**	**21.59%**	**12.74%**	**15.47%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.69%**	**15.89%**	**22.18%**	**13.23%**	**15.96%**

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

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

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

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Executive Summary

Employer Contribution Rates (continued)

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

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

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

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

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

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Executive Summary

Accounting Information

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

Pension

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

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

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.92%	10.62%	17.32%	8.46%	11.17%
July 1, 2013 to June 30, 2015	17.10%	15.30%	21.59%	12.74%	15.47%

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

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

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

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Executive Summary

Principal Valuation Results

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

Baker County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$8,130,905	$6,656,184
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(2,394,012)	(2,428,481)
Allocated pooled OPSRP UAL	87,026	64,164
Side account	0	0
Net unfunded pension actuarial accrued liability	5,823,919	4,291,867
Combined valuation payroll	5,100,459	5,167,709
Net pension UAL as a percentage of payroll	114%	83%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.04%)	(3.87%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$132,130	$185,926
Allocated pooled RHIPA UAL	$0	$0

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

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Executive Summary

Principal Valuation Results (continued)

SLGRP

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

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

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Executive Summary

Principal Valuation Results (continued)

OPSRP

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

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

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

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

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$668,497	$38,639	5.65%	$647,926	$36,608
Tier 2 General Service	10.42%	1,285,886	133,989	10.34%	1,268,637	131,177
Total General Service		**1,954,383**	**172,628**		**1,916,563**	**167,785**
Tier 1 Police & Fire	15.06%	0	0	14.74%	44,747	6,596
Tier 2 Police & Fire	15.12%	781,689	118,191	15.03%	860,480	129,330
Total Police & Fire		**781,689**	**118,191**		**905,227**	**135,926**
Total		**$2,736,072**	**$290,819**		**$2,821,790**	**$303,711**
Employer normal cost rate						
General Service			**8.83%**			**8.75%**
Police & Fire			**15.12%**			**15.02%**
Aggregate (Default)			**10.63%**			**10.76%**

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

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

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

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($2,428,481)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.97%)
B. Actual employer payroll	2,730,005
C. Payment to transition liability/(surplus)	(108,381)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(3.85%)
B. Actual employer payroll	2,686,274
C. Payment to transition liability/(surplus)	(103,422)
4. Supplemental payment to transition liability	0
5. Interest	(177,334)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($2,394,012)**

Development of Transition Liability or Surplus Rate

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

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(2,394,012)	(2,428,481)
2. Combined valuation payroll	5,100,459	5,167,709
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.04%)**	**(3.87%)**

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Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

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

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Side Account Information

Side Account Balances

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

Development of Side Account Rate

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

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	5,100,459	5,167,709
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

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

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Brief Summary of Methods and Assumptions

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

Methods

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

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

Economic Assumptions

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

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

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

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Brief Summary of Changes in Plan Provisions

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

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

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

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Glossary

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

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

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

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

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

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

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

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

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

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

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Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

September 28, 2012

Baker Valley Irrigation District/2601
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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

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September 28, 2012
Baker Valley Irrigation District/2601

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

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

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

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

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

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September 28, 2012

Baker Valley Irrigation District/2601

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

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

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

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

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

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

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Baker Valley Irrigation District -- #2601

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Baker Valley Irrigation District to:

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

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

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

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

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

Employer Rates Effective July 1, 2013, for Baker Valley Irrigation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.78%	5.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(17.93%)	(17.93%)	(17.93%)	(17.93%)	(17.93%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**0.00%**	**0.00%**	**7.67%**	**0.00%**	**1.58%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**0.59%**	**0.59%**	**8.26%**	**0.49%**	**2.07%**

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

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

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

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Executive Summary

Employer Contribution Rates (continued)

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

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

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

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

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

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Executive Summary

Accounting Information

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

Pension

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

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

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	0.00%	0.00%	5.33%	0.00%	0.00%
July 1, 2013 to June 30, 2015	0.00%	0.00%	7.67%	0.00%	1.58%

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

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

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

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Executive Summary

Principal Valuation Results

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

Baker Valley Irrigation District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$150,043	$129,303
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(196,187)	(195,790)
Allocated pooled OPSRP UAL	1,606	1,246
Side account	0	0
Net unfunded pension actuarial accrued liability	(44,538)	(65,241)
Combined valuation payroll	94,121	100,388
Net pension UAL as a percentage of payroll	(47%)	(65%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(17.93%)	(16.07%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,438	$3,612
Allocated pooled RHIPA UAL	$0	$0

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

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Executive Summary

Principal Valuation Results (continued)

SLGRP

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

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

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Executive Summary

Principal Valuation Results (continued)

OPSRP

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

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

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

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

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$70,805	$4,093	5.65%	$76,647	$4,331
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**70,805**	**4,093**		**76,647**	**4,331**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$70,805**	**$4,093**		**$76,647**	**$4,331**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.78%**			**5.65%**

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

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

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

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($195,790)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(16.21%)
B. Actual employer payroll	53,137
C. Payment to transition liability/(surplus)	(8,614)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(11.98%)
B. Actual employer payroll	45,812
C. Payment to transition liability/(surplus)	(5,521)
4. Supplemental payment to transition liability	0
5. Interest	(14,532)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($196,187)**

Development of Transition Liability or Surplus Rate

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

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(196,187)	(195,790)
2. Combined valuation payroll	94,121	100,388
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(17.93%)**	**(16.07%)**

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Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

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

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Side Account Information

Side Account Balances

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

Development of Side Account Rate

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

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	94,121	100,388
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

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

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Brief Summary of Methods and Assumptions

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

Methods

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

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

Economic Assumptions

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

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

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

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Brief Summary of Changes in Plan Provisions

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

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

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

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Glossary

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

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

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

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

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

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

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

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

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

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

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Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

September 28, 2012

Benton County/2040
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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

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September 28, 2012
Benton County/2040

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

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

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

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

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

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Milliman

September 28, 2012
Benton County/2040

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

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

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

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

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

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

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Benton County -- #2040

SEPTEMBER 2012

Secondary Employers

2639 North Albany Service District

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Benton County to:

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

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

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Executive Summary

Employer Contribution Rates

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

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

Employer Rates Effective July 1, 2013, for Benton County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.76%	8.45%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(4.27%)	(4.27%)	(4.27%)	(4.27%)	(4.27%)
Side account rate relief [2]	(2.33%)	(2.33%)	(2.33%)	(2.33%)	(2.33%)
Net pension contribution rate	**13.67%**	**12.36%**	**19.01%**	**10.18%**	**12.91%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.26%**	**12.95%**	**19.60%**	**10.67%**	**13.40%**

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

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

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

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Executive Summary

Employer Contribution Rates (continued)

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

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

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

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

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

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Executive Summary

Accounting Information

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

Pension

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

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

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	8.75%	7.30%	14.58%	5.40%	8.11%
July 1, 2013 to June 30, 2015	13.67%	12.36%	19.01%	10.18%	12.91%

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

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

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

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Executive Summary

Principal Valuation Results

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

Benton County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$35,934,308	$28,108,942
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(11,196,516)	(11,469,022)
Allocated pooled OPSRP UAL	384,609	270,961
Side account	6,101,575	6,609,076
Net unfunded pension actuarial accrued liability	19,020,826	10,301,805
Combined valuation payroll	22,541,335	21,823,138
Net pension UAL as a percentage of payroll	84%	47%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.27%)	(4.33%)
Side account rate relief	(2.33%)	(2.50%)
Allocated pooled RHIA UAL	$583,945	$785,162
Allocated pooled RHIPA UAL	$0	$0

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

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Executive Summary

Principal Valuation Results (continued)

SLGRP

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

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

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Executive Summary

Principal Valuation Results (continued)

OPSRP

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

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

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

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

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$4,502,500	$260,245	5.65%	$4,686,881	$264,809
Tier 2 General Service	10.42%	6,106,980	636,347	10.34%	5,965,893	616,873
Total General Service		**10,609,480**	**896,592**		**10,652,774**	**881,682**
Tier 1 Police & Fire	15.06%	1,036,102	156,037	14.74%	1,203,135	177,342
Tier 2 Police & Fire	15.12%	1,574,753	238,103	15.03%	1,515,198	227,734
Total Police & Fire		**2,610,855**	**394,140**		**2,718,333**	**405,076**
Total		**$13,220,335**	**$1,290,732**		**$13,371,107**	**$1,286,758**
Employer normal cost rate						
General Service			**8.45%**			**8.28%**
Police & Fire			**15.10%**			**14.90%**
Aggregate (Default)			**9.76%**			**9.62%**

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

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

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

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($11,469,022)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(4.72%)
B. Actual employer payroll	12,607,749
C. Payment to transition liability/(surplus)	(595,086)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.43%)
B. Actual employer payroll	11,440,011
C. Payment to transition liability/(surplus)	(506,792)
4. Supplemental payment to transition liability	0
5. Interest	(829,372)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($11,196,516)**

Development of Transition Liability or Surplus Rate

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

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(11,196,516)	(11,469,022)
2. Combined valuation payroll	22,541,335	21,823,138
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.27%)**	**(4.33%)**

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Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$6,609,076**	**$6,609,076**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(684,222)	(684,222)
5. Side account earnings during 2011		177,720	177,720
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$6,101,575**	**$6,101,575**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$6,101,575	$6,609,076
Side Account 2	0	0
Side Account 3	0	0
Total	**$6,101,575**	**$6,609,076**

Development of Side Account Rate

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

	December 31, 2011	December 31, 2010
1. Total side account	$6,101,575	$6,609,076
2. Combined valuation payroll	22,541,335	21,823,138
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(2.33%)	(2.50%)

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

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Brief Summary of Methods and Assumptions

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

Methods

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

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

Economic Assumptions

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

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

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

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Brief Summary of Changes in Plan Provisions

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

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

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

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Glossary

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

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

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

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

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

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

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

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

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

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

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Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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503 227 0634

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

September 28, 2012

Black Butte Ranch Police/2749
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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

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September 28, 2012
Black Butte Ranch Police/2749

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

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

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

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

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

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September 28, 2012

Black Butte Ranch Police/2749

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

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

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

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

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

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

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Black Butte Ranch Police -- #2749

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Black Butte Ranch Police to:

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

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

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

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

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

Employer Rates Effective July 1, 2013, for Black Butte Ranch Police

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.50%	10.42%	15.11%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(6.21%)	(6.21%)	(6.21%)	(6.21%)	(6.21%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.04%**	**12.96%**	**17.65%**	**8.81%**	**11.54%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.63%**	**13.55%**	**18.24%**	**9.30%**	**12.03%**

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

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

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

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Executive Summary

Employer Contribution Rates (continued)

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

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

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

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

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

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Executive Summary

Accounting Information

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

Pension

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

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

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.39%	5.72%	11.14%	1.96%	4.67%
July 1, 2013 to June 30, 2015	17.04%	12.96%	17.65%	8.81%	11.54%

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

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

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

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Executive Summary

Principal Valuation Results

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

Black Butte Ranch Police

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$706,770	$441,344
Allocated pre-SLGRP pooled liability/(surplus)	(90,468)	(70,440)
Transition liability/(surplus)	(320,301)	(331,631)
Allocated pooled OPSRP UAL	7,565	4,254
Side account	0	0
Net unfunded pension actuarial accrued liability	303,566	43,527
Combined valuation payroll	443,352	342,649
Net pension UAL as a percentage of payroll	68%	13%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(6.21%)	(7.98%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$11,485	$12,328
Allocated pooled RHIPA UAL	$0	$0

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

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Executive Summary

Principal Valuation Results (continued)

SLGRP

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

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

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Executive Summary

Principal Valuation Results (continued)

OPSRP

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

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

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

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

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	47,200	4,918	10.34%	46,137	4,771
Total General Service		**47,200**	**4,918**		**46,137**	**4,771**
Tier 1 Police & Fire	15.06%	58,477	8,807	14.74%	56,828	8,376
Tier 2 Police & Fire	15.12%	255,988	38,705	15.03%	160,611	24,140
Total Police & Fire		**314,465**	**47,512**		**217,439**	**32,516**
Total		**$361,665**	**$52,430**		**$263,576**	**$37,287**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.11%**			**14.95%**
Aggregate (Default)			**14.50%**			**14.15%**

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

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

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

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($331,631)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(8.35%)
B. Actual employer payroll	197,603
C. Payment to transition liability/(surplus)	(16,500)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(8.65%)
B. Actual employer payroll	214,513
C. Payment to transition liability/(surplus)	(18,556)
4. Supplemental payment to transition liability	0
5. Interest	(23,726)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($320,301)**

Development of Transition Liability or Surplus Rate

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

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(320,301)	(331,631)
2. Combined valuation payroll	443,352	342,649
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(6.21%)**	**(7.98%)**

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Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

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

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Side Account Information

Side Account Balances

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

Development of Side Account Rate

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

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	443,352	342,649
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

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

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Brief Summary of Methods and Assumptions

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

Methods

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

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

Economic Assumptions

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

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

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

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Brief Summary of Changes in Plan Provisions

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

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

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

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Glossary

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

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

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

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

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

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

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

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

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

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

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Glossary

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

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

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

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

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

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

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

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

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Blue Mountain Community College/2901
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Blue Mountain Community College/2901

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Blue Mountain Community College/2901

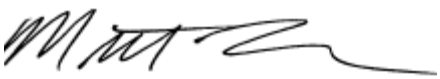
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Blue Mountain Community College -- #2901

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Blue Mountain Community College to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Blue Mountain Community College.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Blue Mountain Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.07%	8.07%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	1.86%	1.86%	1.86%	1.86%	1.86%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(7.15%)	(7.15%)	(7.15%)	(7.15%)	(7.15%)
Net pension contribution rate	**13.29%**	**13.29%**	**20.31%**	**11.49%**	**14.22%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.88%**	**13.88%**	**20.90%**	**11.98%**	**14.71%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	7.87%	7.87%	15.53%	6.30%	9.01%
July 1, 2013 to June 30, 2015	13.29%	13.29%	20.31%	11.49%	14.22%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Blue Mountain Community College

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$16,397,526	$12,569,129
Allocated pre-SLGRP pooled liability/(surplus)	2,228,572	2,140,117
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	175,504	121,162
Side account	8,554,341	9,285,984
Net unfunded pension actuarial accrued liability	10,247,261	5,544,424
Combined valuation payroll	10,286,051	9,758,384
Net pension UAL as a percentage of payroll	100%	57%
Pre-SLGRP pooled rate	1.86%	1.81%
Transition rate	0.00%	0.00%
Side account rate relief	(7.15%)	(7.84%)
Allocated pooled RHIA UAL	$266,465	$351,091
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$126,008,735	$7,283,305	5.65%	$135,189,476	$7,638,205
Tier 2 General Service	10.42%	123,113,364	12,828,413	10.34%	125,634,641	12,990,622
Total General Service		**249,122,099**	**20,111,718**		**260,824,117**	**20,628,827**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$249,122,099**	**$20,111,718**		**$260,824,117**	**$20,628,827**
Employer normal cost rate						
General Service			**8.07%**			**7.91%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.07%**			**7.91%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	403,407,903	413,952,327
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$9,285,984**	**$9,285,984**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(986,782)	(986,782)
5. Side account earnings during 2011		256,139	256,139
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$8,554,341**	**$8,554,341**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$8,554,341	$9,285,984
Side Account 2	0	0
Side Account 3	0	0
Total	**$8,554,341**	**$9,285,984**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$8,554,341	$9,285,984
2. Combined valuation payroll	10,286,051	9,758,384
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(7.15%)	(7.84%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

Boring Fire Department/2558
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012
Boring Fire Department/2558

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Boring Fire Department/2558

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Boring Fire Department -- #2558

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Boring Fire Department to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Boring Fire Department.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Boring Fire Department

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.46%	8.02%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(3.64%)	(3.64%)	(3.64%)	(3.64%)	(3.64%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.57%**	**13.13%**	**20.20%**	**11.38%**	**14.11%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.16%**	**13.72%**	**20.79%**	**11.87%**	**14.60%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.20%	8.26%	15.82%	6.55%	9.26%
July 1, 2013 to June 30, 2015	19.57%	13.13%	20.20%	11.38%	14.11%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Boring Fire Department

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$2,479,818	$1,921,060
Allocated pre-SLGRP pooled liability/(surplus)	(317,420)	(306,608)
Transition liability/(surplus)	(658,744)	(669,389)
Allocated pooled OPSRP UAL	26,542	18,518
Side account	0	0
Net unfunded pension actuarial accrued liability	1,530,196	963,581
Combined valuation payroll	1,555,572	1,491,467
Net pension UAL as a percentage of payroll	98%	65%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(3.64%)	(3.70%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$40,298	$53,661
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$46,270	$2,674	5.65%	$46,712	$2,639
Tier 2 General Service	10.42%	43,302	4,512	10.34%	45,204	4,674
Total General Service		**89,572**	**7,186**		**91,916**	**7,313**
Tier 1 Police & Fire	15.06%	462,731	69,687	14.74%	484,410	71,402
Tier 2 Police & Fire	15.12%	457,098	69,113	15.03%	462,619	69,532
Total Police & Fire		**919,829**	**138,800**		**947,029**	**140,934**
Total		**$1,009,401**	**$145,986**		**$1,038,945**	**$148,247**
Employer normal cost rate						
General Service			**8.02%**			**7.96%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**14.46%**			**14.27%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($669,389)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.75%)
B. Actual employer payroll	728,693
C. Payment to transition liability/(surplus)	(27,326)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.06%)
B. Actual employer payroll	791,000
C. Payment to transition liability/(surplus)	(32,115)
4. Supplemental payment to transition liability	0
5. Interest	(48,796)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($658,744)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(658,744)	(669,389)
2. Combined valuation payroll	1,555,572	1,491,467
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.64%)**	**(3.70%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,555,572	1,491,467
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Canby Fire District/2595
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Canby Fire District/2595

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Canby Fire District/2595

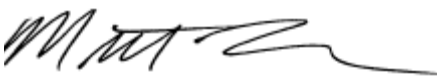
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Canby Fire District -- #2595

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Canby Fire District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Canby Fire District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Canby Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.93%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(2.17%)	(2.17%)	(2.17%)	(2.17%)	(2.17%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**23.27%**	**18.76%**	**23.43%**	**14.61%**	**17.34%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**23.86%**	**19.35%**	**24.02%**	**15.10%**	**17.83%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	19.26%	11.44%	19.26%	9.99%	12.70%
July 1, 2013 to June 30, 2015	23.27%	18.76%	23.43%	14.61%	17.34%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Canby Fire District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$3,219,802	$2,413,644
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(510,656)	(515,052)
Allocated pooled OPSRP UAL	34,462	23,267
Side account	0	0
Net unfunded pension actuarial accrued liability	2,743,608	1,921,859
Combined valuation payroll	2,019,759	1,873,898
Net pension UAL as a percentage of payroll	136%	103%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.17%)	(2.27%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$52,323	$67,420
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	62,184	6,480	10.34%	0	0
Total General Service		**62,184**	**6,480**		**0**	**0**
Tier 1 Police & Fire	15.06%	899,986	135,538	14.74%	855,245	126,063
Tier 2 Police & Fire	15.12%	820,259	124,023	15.03%	780,977	117,381
Total Police & Fire		**1,720,245**	**259,561**		**1,636,222**	**243,444**
Total		**$1,782,429**	**$266,041**		**$1,636,222**	**$243,444**
Employer normal cost rate						
General Service			**10.42%**			**7.75%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**14.93%**			**14.88%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($515,052)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.06%)
B. Actual employer payroll	963,719
C. Payment to transition liability/(surplus)	(19,853)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.32%)
B. Actual employer payroll	964,197
C. Payment to transition liability/(surplus)	(22,369)
4. Supplemental payment to transition liability	0
5. Interest	(37,826)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($510,656)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(510,656)	(515,052)
2. Combined valuation payroll	2,019,759	1,873,898
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.17%)**	**(2.27%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	2,019,759	1,873,898
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

Canby Utility Board/2731
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Canby Utility Board/2731

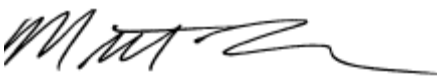
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Canby Utility Board -- #2731

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Canby Utility Board to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Canby Utility Board.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Canby Utility Board

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.71%	7.71%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.17%	0.17%	0.17%	0.17%	0.17%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.63%**	**16.63%**	**24.01%**	**15.19%**	**17.92%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.22%**	**17.22%**	**24.60%**	**15.68%**	**18.41%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.67%	11.67%	19.98%	10.75%	13.46%
July 1, 2013 to June 30, 2015	16.63%	16.63%	24.01%	15.19%	17.92%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Canby Utility Board

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$2,332,392	$1,773,502
Allocated pre-SLGRP pooled liability/(surplus)	(298,550)	(283,057)
Transition liability/(surplus)	28,743	28,837
Allocated pooled OPSRP UAL	24,964	17,096
Side account	0	0
Net unfunded pension actuarial accrued liability	2,087,549	1,536,378
Combined valuation payroll	1,463,093	1,376,906
Net pension UAL as a percentage of payroll	143%	112%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.17%	0.17%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$37,902	$49,539
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$410,931	$23,752	5.65%	$386,192	$21,820
Tier 2 General Service	10.42%	293,751	30,609	10.34%	280,954	29,051
Total General Service		**704,682**	**54,361**		**667,146**	**50,871**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$704,682**	**$54,361**		**$667,146**	**$50,871**
Employer normal cost rate						
General Service			**7.71%**			**7.63%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.71%**			**7.63%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$28,837
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.16%
B. Actual employer payroll	712,372
C. Payment to transition liability/(surplus)	1,140
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.14%
B. Actual employer payroll	774,220
C. Payment to transition liability/(surplus)	1,083
4. Supplemental payment to transition liability	0
5. Interest	2,129
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$28,743**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	28,743	28,837
2. Combined valuation payroll	1,463,093	1,376,906
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.17%**	**0.17%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,463,093	1,376,906
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Cannon Beach Rural Fire Protection District/2840
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Cannon Beach Rural Fire Protection District/2840

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Cannon Beach Rural Fire Protection District/2840

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Cannon Beach Rural Fire Protection District -- #2840

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Cannon Beach Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Cannon Beach Rural Fire Protection District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Cannon Beach Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.12%	7.92%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.07%)	(0.07%)	(0.07%)	(0.07%)	(0.07%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**23.80%**	**16.60%**	**23.80%**	**14.95%**	**17.68%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**24.39%**	**17.19%**	**24.39%**	**15.44%**	**18.17%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	19.37%	12.01%	19.37%	10.56%	13.27%
July 1, 2013 to June 30, 2015	23.80%	16.60%	23.80%	14.95%	17.68%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Cannon Beach Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$129,341	$146,780
Allocated pre-SLGRP pooled liability/(surplus)	(16,556)	(23,427)
Transition liability/(surplus)	(680)	(685)
Allocated pooled OPSRP UAL	1,384	1,415
Side account	0	0
Net unfunded pension actuarial accrued liability	113,489	124,083
Combined valuation payroll	81,135	113,957
Net pension UAL as a percentage of payroll	140%	109%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.07%)	(0.05%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,102	$4,100
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	49,337	7,460	15.03%	85,909	12,912
Total Police & Fire		**49,337**	**7,460**		**85,909**	**12,912**
Total		**$49,337**	**$7,460**		**$85,909**	**$12,912**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**15.12%**			**15.03%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($685)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.04%)
B. Actual employer payroll	55,847
C. Payment to transition liability/(surplus)	(22)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.05%)
B. Actual employer payroll	66,301
C. Payment to transition liability/(surplus)	(33)
4. Supplemental payment to transition liability	0
5. Interest	(50)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($680)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(680)	(685)
2. Combined valuation payroll	81,135	113,957
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.07%)**	**(0.05%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	81,135	113,957
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Central Oregon Coast Fire & Rescue District/2820
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Central Oregon Coast Fire & Rescue District/2820

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Central Oregon Coast Fire & Rescue District/2820

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Central Oregon Coast Fire & Rescue District -- #2820

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Central Oregon Coast Fire & Rescue District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Central Oregon Coast Fire & Rescue District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Central Oregon Coast Fire & Rescue District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.12%	7.92%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(8.08%)	(8.08%)	(8.08%)	(8.08%)	(8.08%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.55%**	**10.35%**	**17.55%**	**8.70%**	**11.43%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.14%**	**10.94%**	**18.14%**	**9.19%**	**11.92%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.50%	2.14%	9.50%	0.69%	3.40%
July 1, 2013 to June 30, 2015	17.55%	10.35%	17.55%	8.70%	11.43%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Central Oregon Coast Fire & Rescue District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$533,440	$351,243
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(314,387)	(328,198)
Allocated pooled OPSRP UAL	5,709	3,386
Side account	0	0
Net unfunded pension actuarial accrued liability	224,762	26,431
Combined valuation payroll	334,623	272,697
Net pension UAL as a percentage of payroll	67%	10%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(8.08%)	(9.92%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$8,669	$9,811
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	106,691	16,132	15.03%	77,071	11,584
Total Police & Fire		**106,691**	**16,132**		**77,071**	**11,584**
Total		**$106,691**	**$16,132**		**$77,071**	**$11,584**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**15.12%**			**15.03%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($328,198)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(14.84%)
B. Actual employer payroll	140,243
C. Payment to transition liability/(surplus)	(19,004)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(11.62%)
B. Actual employer payroll	155,721
C. Payment to transition liability/(surplus)	(18,095)
4. Supplemental payment to transition liability	0
5. Interest	(23,288)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($314,387)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(314,387)	(328,198)
2. Combined valuation payroll	334,623	272,697
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(8.08%)**	**(9.92%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	334,623	272,697
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

Central Oregon Community College/2999
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Central Oregon Community College/2999

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Central Oregon Community College/2999

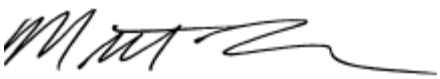
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

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Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Central Oregon Community College -- #2999

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Central Oregon Community College to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Central Oregon Community College.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Central Oregon Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.07%	8.07%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	1.86%	1.86%	1.86%	1.86%	1.86%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(5.11%)	(5.11%)	(5.11%)	(5.11%)	(5.11%)
Net pension contribution rate	**15.33%**	**15.33%**	**22.35%**	**13.53%**	**16.26%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.92%**	**15.92%**	**22.94%**	**14.02%**	**16.75%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.62%	9.62%	17.28%	8.05%	10.76%
July 1, 2013 to June 30, 2015	15.33%	15.33%	22.35%	13.53%	16.26%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Central Oregon Community College

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$30,176,287	$23,273,530
Allocated pre-SLGRP pooled liability/(surplus)	4,101,230	3,962,730
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	322,980	224,349
Side account	11,255,723	12,284,270
Net unfunded pension actuarial accrued liability	23,344,774	15,176,339
Combined valuation payroll	18,929,370	18,069,035
Net pension UAL as a percentage of payroll	123%	84%
Pre-SLGRP pooled rate	1.86%	1.81%
Transition rate	0.00%	0.00%
Side account rate relief	(5.11%)	(5.60%)
Allocated pooled RHIA UAL	$490,375	$650,095
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$126,008,735	$7,283,305	5.65%	$135,189,476	$7,638,205
Tier 2 General Service	10.42%	123,113,364	12,828,413	10.34%	125,634,641	12,990,622
Total General Service		**249,122,099**	**20,111,718**		**260,824,117**	**20,628,827**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$249,122,099**	**$20,111,718**		**$260,824,117**	**$20,628,827**
Employer normal cost rate						
General Service			**8.07%**			**7.91%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.07%**			**7.91%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	403,407,903	413,952,327
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$12,284,270**	**$12,284,270**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(1,364,627)	(1,364,627)
5. Side account earnings during 2011		337,080	337,080
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$11,255,723**	**$11,255,723**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$11,255,723	$12,284,270
Side Account 2	0	0
Side Account 3	0	0
Total	**$11,255,723**	**$12,284,270**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$11,255,723	$12,284,270
2. Combined valuation payroll	18,929,370	18,069,035
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(5.11%)	(5.60%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Central Oregon Irrigation District/2563
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
Central Oregon Irrigation District/2563

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Central Oregon Irrigation District/2563

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Central Oregon Irrigation District -- #2563

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Central Oregon Irrigation District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Central Oregon Irrigation District.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Central Oregon Irrigation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.50%	8.50%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	3.01%	3.01%	3.01%	3.01%	3.01%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**20.26%**	**20.26%**	**26.85%**	**18.03%**	**20.76%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.85%**	**20.85%**	**27.44%**	**18.52%**	**21.25%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.59%	15.59%	22.75%	13.52%	16.23%
July 1, 2013 to June 30, 2015	20.26%	20.26%	26.85%	18.03%	20.76%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Central Oregon Irrigation District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$2,205,957	$1,815,032
Allocated pre-SLGRP pooled liability/(surplus)	(282,366)	(289,685)
Transition liability/(surplus)	484,565	490,385
Allocated pooled OPSRP UAL	23,611	17,496
Side account	0	0
Net unfunded pension actuarial accrued liability	2,431,767	2,033,228
Combined valuation payroll	1,383,781	1,409,149
Net pension UAL as a percentage of payroll	176%	144%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	3.01%	2.87%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$35,848	$50,699
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$346,233	$20,012	5.65%	$403,957	$22,824
Tier 2 General Service	10.42%	490,545	51,115	10.34%	541,193	55,959
Total General Service		**836,778**	**71,127**		**945,150**	**78,783**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$836,778**	**$71,127**		**$945,150**	**$78,783**
Employer normal cost rate						
General Service			**8.50%**			**8.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.50%**			**8.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$490,385
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	2.85%
B. Actual employer payroll	721,203
C. Payment to transition liability/(surplus)	20,554
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	2.91%
B. Actual employer payroll	727,143
C. Payment to transition liability/(surplus)	21,160
4. Supplemental payment to transition liability	0
5. Interest	35,894
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$484,565**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	484,565	490,385
2. Combined valuation payroll	1,383,781	1,409,149
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**3.01%**	**2.87%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,383,781	1,409,149
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Charleston Rural Fire Protection District/2567
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Charleston Rural Fire Protection District/2567

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Charleston Rural Fire Protection District/2567

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Charleston Rural Fire Protection District -- #2567

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Charleston Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Charleston Rural Fire Protection District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Charleston Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.08%	7.92%	15.08%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(5.17%)	(5.17%)	(5.17%)	(5.17%)	(5.17%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**20.42%**	**13.26%**	**20.42%**	**11.61%**	**14.34%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**21.01%**	**13.85%**	**21.01%**	**12.10%**	**14.83%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	17.10%	9.14%	17.10%	7.69%	10.40%
July 1, 2013 to June 30, 2015	20.42%	13.26%	20.42%	11.61%	14.34%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Charleston Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$282,544	$225,924
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(106,449)	(103,157)
Allocated pooled OPSRP UAL	3,024	2,178
Side account	0	0
Net unfunded pension actuarial accrued liability	179,119	124,945
Combined valuation payroll	177,238	175,402
Net pension UAL as a percentage of payroll	101%	71%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.17%)	(4.85%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$4,591	$6,311
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	121,761	18,337	14.74%	121,588	17,922
Tier 2 Police & Fire	15.12%	48,282	7,300	15.03%	46,791	7,033
Total Police & Fire		**170,043**	**25,637**		**168,379**	**24,955**
Total		**$170,043**	**$25,637**		**$168,379**	**$24,955**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.08%**			**14.82%**
Aggregate (Default)			**15.08%**			**14.82%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($103,157)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.80%)
B. Actual employer payroll	84,966
C. Payment to transition liability/(surplus)	(680)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.62%)
B. Actual employer payroll	84,705
C. Payment to transition liability/(surplus)	(3,913)
4. Supplemental payment to transition liability	0
5. Interest	(7,885)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($106,449)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(106,449)	(103,157)
2. Combined valuation payroll	177,238	175,402
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(5.17%)**	**(4.85%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	177,238	175,402
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Chemeketa Community College/2919
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Chemeketa Community College/2919

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Chemeketa Community College/2919

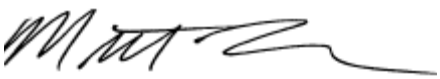
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Chemeketa Community College -- #2919

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Chemeketa Community College to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Chemeketa Community College.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Chemeketa Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.07%	8.07%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	1.86%	1.86%	1.86%	1.86%	1.86%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(9.64%)	(9.64%)	(9.64%)	(9.64%)	(9.64%)
Net pension contribution rate	**10.80%**	**10.80%**	**17.82%**	**9.00%**	**11.73%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**11.39%**	**11.39%**	**18.41%**	**9.49%**	**12.22%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	6.39%	6.39%	14.05%	4.82%	7.53%
July 1, 2013 to June 30, 2015	10.80%	10.80%	17.82%	9.00%	11.73%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Chemeketa Community College

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$67,000,403	$57,104,254
Allocated pre-SLGRP pooled liability/(surplus)	9,105,959	9,723,010
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	717,112	550,467
Side account	47,127,718	50,799,190
Net unfunded pension actuarial accrued liability	29,695,756	16,578,541
Combined valuation payroll	42,028,875	44,334,434
Net pension UAL as a percentage of payroll	71%	37%
Pre-SLGRP pooled rate	1.86%	1.81%
Transition rate	0.00%	0.00%
Side account rate relief	(9.64%)	(9.45%)
Allocated pooled RHIA UAL	$1,088,779	$1,595,083
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$126,008,735	$7,283,305	5.65%	$135,189,476	$7,638,205
Tier 2 General Service	10.42%	123,113,364	12,828,413	10.34%	125,634,641	12,990,622
Total General Service		**249,122,099**	**20,111,718**		**260,824,117**	**20,628,827**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$249,122,099**	**$20,111,718**		**$260,824,117**	**$20,628,827**
Employer normal cost rate						
General Service			**8.07%**			**7.91%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.07%**			**7.91%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	403,407,903	413,952,327
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$50,799,190**	**$50,799,190**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(4,998,003)	(4,998,003)
5. Side account earnings during 2011		1,328,532	1,328,532
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$47,127,718**	**$47,127,718**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$25,673,477	$27,631,569
Side Account 2	21,454,241	23,167,620
Side Account 3	0	0
Total	**$47,127,718**	**$50,799,190**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$47,127,718	$50,799,190
2. Combined valuation payroll	42,028,875	44,334,434
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(9.64%)	(9.45%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Chetco Library Board/2699
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Chetco Library Board/2699

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Chetco Library Board/2699

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Chetco Library Board -- #2699

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Chetco Library Board to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Chetco Library Board.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Chetco Library Board

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	6.91%	6.91%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.39%)	(0.39%)	(0.39%)	(0.39%)	(0.39%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.27%**	**15.27%**	**23.45%**	**14.63%**	**17.36%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.86%**	**15.86%**	**24.04%**	**15.12%**	**17.85%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.83%	10.83%	19.47%	10.24%	12.95%
July 1, 2013 to June 30, 2015	15.27%	15.27%	23.45%	14.63%	17.36%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Chetco Library Board

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$354,095	$281,716
Allocated pre-SLGRP pooled liability/(surplus)	(45,325)	(44,963)
Transition liability/(surplus)	(10,129)	(10,204)
Allocated pooled OPSRP UAL	3,790	2,716
Side account	0	0
Net unfunded pension actuarial accrued liability	302,431	229,265
Combined valuation payroll	222,121	218,718
Net pension UAL as a percentage of payroll	136%	105%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.39%)	(0.38%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$5,754	$7,869
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$150,221	$8,683	5.65%	$147,624	$8,341
Tier 2 General Service	10.42%	48,483	5,052	10.34%	48,041	4,967
Total General Service		**198,704**	**13,735**		**195,665**	**13,308**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$198,704**	**$13,735**		**$195,665**	**$13,308**
Employer normal cost rate						
General Service			**6.91%**			**6.80%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**6.91%**			**6.80%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($10,204)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.38%)
B. Actual employer payroll	108,728
C. Payment to transition liability/(surplus)	(413)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.37%)
B. Actual employer payroll	111,321
C. Payment to transition liability/(surplus)	(412)
4. Supplemental payment to transition liability	0
5. Interest	(750)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($10,129)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(10,129)	(10,204)
2. Combined valuation payroll	222,121	218,718
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.39%)**	**(0.38%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	222,121	218,718
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

City of Adair Village/2258
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Adair Village/2258

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Adair Village/2258

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Adair Village -- #2258

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Adair Village to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Adair Village.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Adair Village

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	6.37%	6.37%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.47%	0.47%	0.47%	0.47%	0.47%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.59%**	**15.59%**	**24.31%**	**15.49%**	**18.22%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.18%**	**16.18%**	**24.90%**	**15.98%**	**18.71%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.20%	12.13%	21.14%	11.49%	14.20%
July 1, 2013 to June 30, 2015	15.59%	15.59%	24.31%	15.49%	18.22%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Adair Village

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$387,046	$351,039
Allocated pre-SLGRP pooled liability/(surplus)	(49,542)	(56,027)
Transition liability/(surplus)	13,177	16,961
Allocated pooled OPSRP UAL	4,143	3,384
Side account	0	0
Net unfunded pension actuarial accrued liability	354,824	315,357
Combined valuation payroll	242,791	272,539
Net pension UAL as a percentage of payroll	146%	116%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.47%	0.51%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$6,290	$9,806
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$118,626	$6,857	5.65%	$118,437	$6,692
Tier 2 General Service	10.42%	17,164	1,788	10.34%	39,919	4,128
Total General Service		**135,790**	**8,645**		**158,356**	**10,820**
Tier 1 Police & Fire	15.06%	0	0	14.74%	55,170	8,132
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**55,170**	**8,132**
Total		**$135,790**	**$8,645**		**$213,526**	**$18,952**
Employer normal cost rate						
General Service			**6.37%**			**6.83%**
Police & Fire			**15.09%**			**14.74%**
Aggregate (Default)			**6.37%**			**8.88%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$16,961
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	3.67%
B. Actual employer payroll	98,769
C. Payment to transition liability/(surplus)	3,625
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.88%
B. Actual employer payroll	128,994
C. Payment to transition liability/(surplus)	1,135
4. Supplemental payment to transition liability	0
5. Interest	976
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$13,177**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	13,177	16,961
2. Combined valuation payroll	242,791	272,539
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.47%**	**0.51%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	242,791	272,539
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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503 227 0634

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Albany/2103
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Albany/2103

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Albany/2103

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Albany -- #2103

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Albany to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Albany.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Albany

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	11.48%	8.35%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(2.80%)	(2.80%)	(2.80%)	(2.80%)	(2.80%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.19%**	**16.06%**	**22.80%**	**13.98%**	**16.71%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.78%**	**16.65%**	**23.39%**	**14.47%**	**17.20%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.76%	11.35%	19.04%	9.70%	12.41%
July 1, 2013 to June 30, 2015	19.19%	16.06%	22.80%	13.98%	16.71%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Albany

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$41,040,538	$33,929,566
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(8,379,575)	(8,476,017)
Allocated pooled OPSRP UAL	439,261	327,070
Side account	0	0
Net unfunded pension actuarial accrued liability	33,100,224	25,780,619
Combined valuation payroll	25,744,437	26,342,137
Net pension UAL as a percentage of payroll	129%	98%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.80%)	(2.65%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$666,923	$947,748
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$4,221,452	$244,000	5.65%	$4,913,015	$277,585
Tier 2 General Service	10.42%	5,230,559	545,024	10.34%	5,162,987	533,853
Total General Service		**9,452,011**	**789,024**		**10,076,002**	**811,438**
Tier 1 Police & Fire	15.06%	4,658,850	701,623	14.74%	5,304,978	781,954
Tier 2 Police & Fire	15.12%	3,556,718	537,776	15.03%	3,429,613	515,471
Total Police & Fire		**8,215,568**	**1,239,399**		**8,734,591**	**1,297,425**
Total		**$17,667,579**	**$2,028,423**		**$18,810,593**	**$2,108,863**
Employer normal cost rate						
General Service			**8.35%**			**8.05%**
Police & Fire			**15.09%**			**14.85%**
Aggregate (Default)			**11.48%**			**11.21%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($8,476,017)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.84%)
B. Actual employer payroll	13,099,969
C. Payment to transition liability/(surplus)	(372,039)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.61%)
B. Actual employer payroll	13,222,668
C. Payment to transition liability/(surplus)	(345,112)
4. Supplemental payment to transition liability	0
5. Interest	(620,709)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($8,379,575)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	**December 31, 2010**
1. Total transition liability/(surplus)	(8,379,575)	(8,476,017)
2. Combined valuation payroll	25,744,437	26,342,137
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.80%)**	**(2.65%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	25,744,437	26,342,137
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Amity/2235
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Amity/2235

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Amity/2235

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Amity -- #2235

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Amity to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Amity.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Amity

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.45%	9.45%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(6.38%)	(6.38%)	(6.38%)	(6.38%)	(6.38%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**13.58%**	**13.58%**	**19.22%**	**10.40%**	**13.13%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.17%**	**14.17%**	**19.81%**	**10.89%**	**13.62%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.11%	7.92%	14.30%	5.00%	7.71%
July 1, 2013 to June 30, 2015	13.58%	13.58%	19.22%	10.40%	13.13%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Amity

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$657,103	$553,444
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(305,614)	(318,804)
Allocated pooled OPSRP UAL	7,033	5,335
Side account	0	0
Net unfunded pension actuarial accrued liability	358,522	239,975
Combined valuation payroll	412,196	429,681
Net pension UAL as a percentage of payroll	87%	56%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(6.38%)	(6.11%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$10,678	$15,459
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$45,596	$2,635	5.65%	$46,228	$2,612
Tier 2 General Service	10.42%	172,236	17,947	10.34%	173,412	17,931
Total General Service		**217,832**	**20,582**		**219,640**	**20,543**
Tier 1 Police & Fire	15.06%	0	0	14.74%	66,893	9,860
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**66,893**	**9,860**
Total		**$217,832**	**$20,582**		**$286,533**	**$30,403**
Employer normal cost rate						
General Service			**9.45%**			**9.35%**
Police & Fire			**15.09%**			**14.74%**
Aggregate (Default)			**9.45%**			**10.61%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($318,804)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(8.27%)
B. Actual employer payroll	225,116
C. Payment to transition liability/(surplus)	(18,617)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(7.31%)
B. Actual employer payroll	235,444
C. Payment to transition liability/(surplus)	(17,211)
4. Supplemental payment to transition liability	0
5. Interest	(22,638)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($305,614)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(305,614)	(318,804)
2. Combined valuation payroll	412,196	429,681
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(6.38%)**	**(6.11%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	412,196	429,681
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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111 SW Fifth Avenue, Suite 3700
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503 227 0634

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Ashland/2104
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Ashland/2104

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Ashland/2104

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Ashland -- #2104

SEPTEMBER 2012

Secondary Employers

2169 Ashland Community Hospital

2744 Ashland Parks Commission

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Ashland to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Ashland.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Ashland

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.03%	7.89%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.52%	0.52%	0.52%	0.52%	0.52%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.30%**	**17.16%**	**24.36%**	**15.54%**	**18.27%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.89%**	**17.75%**	**24.95%**	**16.03%**	**18.76%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.53%	12.48%	20.37%	11.10%	13.81%
July 1, 2013 to June 30, 2015	19.30%	17.16%	24.36%	15.54%	18.27%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Ashland

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$23,028,958	$18,583,393
Allocated pre-SLGRP pooled liability/(surplus)	(2,947,741)	(2,965,974)
Transition liability/(surplus)	879,879	889,932
Allocated pooled OPSRP UAL	246,481	179,138
Side account	0	0
Net unfunded pension actuarial accrued liability	21,207,577	16,686,489
Combined valuation payroll	14,445,901	14,427,720
Net pension UAL as a percentage of payroll	147%	116%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.52%	0.51%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$374,228	$519,087
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$3,573,667	$206,558	5.65%	$4,241,193	$239,627
Tier 2 General Service	10.42%	2,969,483	309,420	10.34%	2,929,526	302,913
Total General Service		**6,543,150**	**515,978**		**7,170,719**	**542,540**
Tier 1 Police & Fire	15.06%	1,275,178	192,042	14.74%	1,329,319	195,942
Tier 2 Police & Fire	15.12%	1,504,015	227,407	15.03%	1,407,135	211,492
Total Police & Fire		**2,779,193**	**419,449**		**2,736,454**	**407,434**
Total		**$9,322,343**	**$935,427**		**$9,907,173**	**$949,974**
Employer normal cost rate						
General Service			**7.89%**			**7.57%**
Police & Fire			**15.09%**			**14.89%**
Aggregate (Default)			**10.03%**			**9.59%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$889,932
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.49%
B. Actual employer payroll	7,606,818
C. Payment to transition liability/(surplus)	37,273
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.49%
B. Actual employer payroll	7,745,956
C. Payment to transition liability/(surplus)	37,956
4. Supplemental payment to transition liability	0
5. Interest	65,176
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$879,879**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	879,879	889,932
2. Combined valuation payroll	14,445,901	14,427,720
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.52%**	**0.51%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	14,445,901	14,427,720
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Astoria/2105
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Astoria/2105

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Astoria/2105

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Astoria -- #2105

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Astoria to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Astoria.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Astoria

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.53%	7.93%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	2.26%	2.26%	2.26%	2.26%	2.26%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**21.54%**	**18.94%**	**26.10%**	**17.28%**	**20.01%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**22.13%**	**19.53%**	**26.69%**	**17.77%**	**20.50%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	17.06%	14.15%	22.02%	12.69%	15.40%
July 1, 2013 to June 30, 2015	21.54%	18.94%	26.10%	17.28%	20.01%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Astoria

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$7,762,671	$7,030,683
Allocated pre-SLGRP pooled liability/(surplus)	(993,633)	(1,122,122)
Transition liability/(surplus)	1,279,798	1,302,239
Allocated pooled OPSRP UAL	83,085	67,774
Side account	0	0
Net unfunded pension actuarial accrued liability	8,131,921	7,278,574
Combined valuation payroll	4,869,468	5,458,461
Net pension UAL as a percentage of payroll	167%	133%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	2.26%	1.97%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$126,146	$196,387
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$1,007,160	$58,214	5.65%	$1,339,743	$75,695
Tier 2 General Service	10.42%	866,684	90,308	10.34%	959,394	99,201
Total General Service		**1,873,844**	**148,522**		**2,299,137**	**174,896**
Tier 1 Police & Fire	15.06%	570,158	85,866	14.74%	802,860	118,342
Tier 2 Police & Fire	15.12%	500,433	75,665	15.03%	533,150	80,132
Total Police & Fire		**1,070,591**	**161,531**		**1,336,010**	**198,474**
Total		**$2,944,435**	**$310,053**		**$3,635,147**	**$373,370**
Employer normal cost rate						
General Service			**7.93%**			**7.61%**
Police & Fire			**15.09%**			**14.86%**
Aggregate (Default)			**10.53%**			**10.27%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$1,302,239
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	2.39%
B. Actual employer payroll	2,817,176
C. Payment to transition liability/(surplus)	67,331
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	2.08%
B. Actual employer payroll	2,399,539
C. Payment to transition liability/(surplus)	49,910
4. Supplemental payment to transition liability	0
5. Interest	94,800
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$1,279,798**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	1,279,798	1,302,239
2. Combined valuation payroll	4,869,468	5,458,461
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**2.26%**	**1.97%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	4,869,468	5,458,461
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

City of Aumsville/2234
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012
City of Aumsville/2234

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Aumsville/2234

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Aumsville -- #2234

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Aumsville to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Aumsville.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Aumsville

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.86%	8.25%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(5.18%)	(5.18%)	(5.18%)	(5.18%)	(5.18%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**13.43%**	**11.82%**	**18.66%**	**9.84%**	**12.57%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.02%**	**12.41%**	**19.25%**	**10.33%**	**13.06%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	8.52%	6.83%	14.31%	5.02%	7.73%
July 1, 2013 to June 30, 2015	13.43%	11.82%	18.66%	9.84%	12.57%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Aumsville

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,232,032	$978,960
Allocated pre-SLGRP pooled liability/(surplus)	(157,702)	(156,245)
Transition liability/(surplus)	(465,401)	(480,697)
Allocated pooled OPSRP UAL	13,187	9,437
Side account	0	0
Net unfunded pension actuarial accrued liability	622,116	351,455
Combined valuation payroll	772,845	760,042
Net pension UAL as a percentage of payroll	81%	46%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(5.18%)	(5.21%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$20,021	$27,345
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$214,696	$12,409	5.65%	$214,627	$12,126
Tier 2 General Service	10.42%	244,051	25,430	10.34%	238,205	24,630
Total General Service		**458,747**	**37,839**		**452,832**	**36,756**
Tier 1 Police & Fire	15.06%	76,354	11,499	14.74%	72,660	10,710
Tier 2 Police & Fire	15.12%	64,625	9,771	15.03%	60,324	9,067
Total Police & Fire		**140,979**	**21,270**		**132,984**	**19,777**
Total		**$599,726**	**$59,109**		**$585,816**	**$56,533**
Employer normal cost rate						
General Service			**8.25%**			**8.12%**
Police & Fire			**15.09%**			**14.87%**
Aggregate (Default)			**9.86%**			**9.65%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($480,697)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(6.29%)
B. Actual employer payroll	409,358
C. Payment to transition liability/(surplus)	(25,749)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.59%)
B. Actual employer payroll	429,710
C. Payment to transition liability/(surplus)	(24,021)
4. Supplemental payment to transition liability	0
5. Interest	(34,474)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($465,401)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(465,401)	(480,697)
2. Combined valuation payroll	772,845	760,042
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(5.18%)**	**(5.21%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	772,845	760,042
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Aurora/2272
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Aurora/2272

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Aurora/2272

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Aurora -- #2272

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Aurora to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Aurora.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Aurora

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.29%	7.29%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(8.13%)	(8.13%)	(8.13%)	(8.13%)	(8.13%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**9.67%**	**9.67%**	**17.47%**	**8.65%**	**11.38%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**10.26%**	**10.26%**	**18.06%**	**9.14%**	**11.87%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	8.61%	5.91%	13.43%	4.62%	7.33%
July 1, 2013 to June 30, 2015	9.67%	9.67%	17.47%	8.65%	11.38%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Aurora

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$452,140	$362,570
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(268,073)	(273,608)
Allocated pooled OPSRP UAL	4,839	3,495
Side account	0	0
Net unfunded pension actuarial accrued liability	188,906	92,457
Combined valuation payroll	283,624	281,491
Net pension UAL as a percentage of payroll	67%	33%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(8.13%)	(8.01%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$7,347	$10,128
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$124,626	$7,203	5.65%	$90,583	$5,118
Tier 2 General Service	10.42%	59,993	6,251	10.34%	56,506	5,843
Total General Service		**184,619**	**13,454**		**147,089**	**10,961**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	4,226	635
Total Police & Fire		**0**	**0**		**4,226**	**635**
Total		**$184,619**	**$13,454**		**$151,315**	**$11,596**
Employer normal cost rate						
General Service			**7.29%**			**7.45%**
Police & Fire			**15.09%**			**15.03%**
Aggregate (Default)			**7.29%**			**7.66%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($273,608)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(9.01%)
B. Actual employer payroll	159,823
C. Payment to transition liability/(surplus)	(14,400)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(7.69%)
B. Actual employer payroll	142,931
C. Payment to transition liability/(surplus)	(10,992)
4. Supplemental payment to transition liability	0
5. Interest	(19,857)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($268,073)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(268,073)	(273,608)
2. Combined valuation payroll	283,624	281,491
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(8.13%)**	**(8.01%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	283,624	281,491
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Baker City/2159
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
City of Baker City/2159

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Baker City/2159

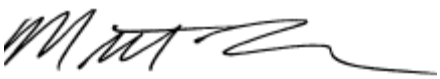
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Baker City -- #2159

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Baker City to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Baker City.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Baker City

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	11.59%	8.20%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.37%)	(0.37%)	(0.37%)	(0.37%)	(0.37%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.97%**	**16.58%**	**23.48%**	**14.65%**	**17.38%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.56%**	**17.17%**	**24.07%**	**15.14%**	**17.87%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.45%	12.10%	19.40%	10.27%	12.98%
July 1, 2013 to June 30, 2015	19.97%	16.58%	23.48%	14.65%	17.38%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Baker City

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$5,488,900	$4,427,671
Allocated pre-SLGRP pooled liability/(surplus)	(702,587)	(706,672)
Transition liability/(surplus)	(147,896)	(148,972)
Allocated pooled OPSRP UAL	58,748	42,681
Side account	0	0
Net unfunded pension actuarial accrued liability	4,697,165	3,614,708
Combined valuation payroll	3,443,148	3,437,542
Net pension UAL as a percentage of payroll	136%	105%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.37%)	(0.36%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$89,196	$123,677
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$547,172	$31,627	5.65%	$604,276	$34,142
Tier 2 General Service	10.42%	598,183	62,331	10.34%	656,728	67,906
Total General Service		**1,145,355**	**93,958**		**1,261,004**	**102,048**
Tier 1 Police & Fire	15.06%	403,055	60,700	14.74%	421,131	62,075
Tier 2 Police & Fire	15.12%	703,584	106,382	15.03%	531,757	79,923
Total Police & Fire		**1,106,639**	**167,082**		**952,888**	**141,998**
Total		**$2,251,994**	**$261,040**		**$2,213,892**	**$244,046**
Employer normal cost rate						
General Service			**8.20%**			**8.09%**
Police & Fire			**15.10%**			**14.90%**
Aggregate (Default)			**11.59%**			**11.02%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($148,972)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.34%)
B. Actual employer payroll	1,793,576
C. Payment to transition liability/(surplus)	(6,098)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.34%)
B. Actual employer payroll	1,744,906
C. Payment to transition liability/(surplus)	(5,933)
4. Supplemental payment to transition liability	0
5. Interest	(10,955)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($147,896)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(147,896)	(148,972)
2. Combined valuation payroll	3,443,148	3,437,542
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.37%)**	**(0.36%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	3,443,148	3,437,542
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Bandon/2150
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Bandon/2150

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Bandon/2150

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Bandon -- #2150

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Bandon to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Bandon.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Bandon

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.23%	8.03%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.23%)	(0.23%)	(0.23%)	(0.23%)	(0.23%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.75%**	**16.55%**	**23.64%**	**14.79%**	**17.52%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.34%**	**17.14%**	**24.23%**	**15.28%**	**18.01%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	13.15%	12.00%	19.19%	10.38%	13.09%
July 1, 2013 to June 30, 2015	17.75%	16.55%	23.64%	14.79%	17.52%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Bandon

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$3,268,486	$2,597,018
Allocated pre-SLGRP pooled liability/(surplus)	(418,371)	(414,493)
Transition liability/(surplus)	(55,520)	(55,865)
Allocated pooled OPSRP UAL	34,983	25,034
Side account	0	0
Net unfunded pension actuarial accrued liability	2,829,578	2,151,694
Combined valuation payroll	2,050,298	2,016,265
Net pension UAL as a percentage of payroll	138%	107%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.23%)	(0.23%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$53,114	$72,542
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$797,007	$46,067	5.65%	$782,562	$44,215
Tier 2 General Service	10.42%	751,249	78,280	10.34%	721,060	74,558
Total General Service		**1,548,256**	**124,347**		**1,503,622**	**118,773**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	315,913	47,766	15.03%	315,797	47,464
Total Police & Fire		**315,913**	**47,766**		**315,797**	**47,464**
Total		**$1,864,169**	**$172,113**		**$1,819,419**	**$166,237**
Employer normal cost rate						
General Service			**8.03%**			**7.90%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**9.23%**			**9.14%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($55,865)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.22%)
B. Actual employer payroll	966,785
C. Payment to transition liability/(surplus)	(2,127)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.23%)
B. Actual employer payroll	1,013,729
C. Payment to transition liability/(surplus)	(2,331)
4. Supplemental payment to transition liability	0
5. Interest	(4,113)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($55,520)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(55,520)	(55,865)
2. Combined valuation payroll	2,050,298	2,016,265
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.23%)**	**(0.23%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	2,050,298	2,016,265
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Banks/2231
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Banks/2231

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Banks/2231

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Banks -- #2231

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Banks to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Banks.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Banks

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(9.29%)	(9.29%)	(9.29%)	(9.29%)	(9.29%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**11.64%**	**11.64%**	**16.31%**	**7.49%**	**10.22%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**12.23%**	**12.23%**	**16.90%**	**7.98%**	**10.71%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	6.50%	6.50%	11.97%	2.74%	5.45%
July 1, 2013 to June 30, 2015	11.64%	11.64%	16.31%	7.49%	10.22%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Banks

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$507,320	$349,083
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(343,628)	(354,137)
Allocated pooled OPSRP UAL	5,430	3,365
Side account	0	0
Net unfunded pension actuarial accrued liability	169,122	(1,689)
Combined valuation payroll	318,238	271,020
Net pension UAL as a percentage of payroll	53%	(1%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(9.29%)	(10.77%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$8,244	$9,751
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	153,312	15,975	10.34%	164,049	16,963
Total General Service		**153,312**	**15,975**		**164,049**	**16,963**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$153,312**	**$15,975**		**$164,049**	**$16,963**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($354,137)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(11.91%)
B. Actual employer payroll	176,405
C. Payment to transition liability/(surplus)	(19,807)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(9.57%)
B. Actual employer payroll	168,816
C. Payment to transition liability/(surplus)	(16,156)
4. Supplemental payment to transition liability	0
5. Interest	(25,454)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($343,628)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(343,628)	(354,137)
2. Combined valuation payroll	318,238	271,020
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(9.29%)**	**(10.77%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	318,238	271,020
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

City of Bay City/2241
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Bay City/2241

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Bay City/2241

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Bay City -- #2241

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Bay City to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Bay City.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Bay City

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(3.98%)	(3.98%)	(3.98%)	(3.98%)	(3.98%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.19%**	**15.19%**	**19.86%**	**11.04%**	**13.77%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.78%**	**15.78%**	**20.45%**	**11.53%**	**14.26%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.24%	9.24%	16.67%	7.44%	10.15%
July 1, 2013 to June 30, 2015	15.19%	15.19%	19.86%	11.04%	13.77%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Bay City

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$450,882	$344,127
Allocated pre-SLGRP pooled liability/(surplus)	(57,714)	(54,924)
Transition liability/(surplus)	(131,005)	(131,025)
Allocated pooled OPSRP UAL	4,826	3,317
Side account	0	0
Net unfunded pension actuarial accrued liability	266,989	161,495
Combined valuation payroll	282,835	267,172
Net pension UAL as a percentage of payroll	94%	60%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(3.98%)	(4.04%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$7,327	$9,612
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	54,682	5,698	10.34%	48,046	4,968
Total General Service		**54,682**	**5,698**		**48,046**	**4,968**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$54,682**	**$5,698**		**$48,046**	**$4,968**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($131,025)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.52%)
B. Actual employer payroll	148,551
C. Payment to transition liability/(surplus)	(5,229)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(3.17%)
B. Actual employer payroll	141,836
C. Payment to transition liability/(surplus)	(4,495)
4. Supplemental payment to transition liability	0
5. Interest	(9,704)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($131,005)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(131,005)	(131,025)
2. Combined valuation payroll	282,835	267,172
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.98%)**	**(4.04%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	282,835	267,172
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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503 227 0634

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Boardman/2178
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Boardman/2178

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Boardman/2178

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Boardman -- #2178

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Boardman to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Boardman.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Boardman

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.71%	8.11%	15.08%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.49%)	(0.49%)	(0.49%)	(0.49%)	(0.49%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.97%**	**16.37%**	**23.34%**	**14.53%**	**17.26%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.56%**	**16.96%**	**23.93%**	**15.02%**	**17.75%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.09%	11.86%	19.60%	10.15%	12.86%
July 1, 2013 to June 30, 2015	17.97%	16.37%	23.34%	14.53%	17.26%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Boardman

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,823,185	$1,573,877
Allocated pre-SLGRP pooled liability/(surplus)	(233,370)	(251,196)
Transition liability/(surplus)	(65,182)	(65,422)
Allocated pooled OPSRP UAL	19,514	15,172
Side account	0	0
Net unfunded pension actuarial accrued liability	1,544,147	1,272,431
Combined valuation payroll	1,143,671	1,221,922
Net pension UAL as a percentage of payroll	135%	104%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.49%)	(0.44%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$29,627	$43,963
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$302,818	$17,503	5.65%	$295,760	$16,710
Tier 2 General Service	10.42%	306,736	31,962	10.34%	299,309	30,949
Total General Service		**609,554**	**49,465**		**595,069**	**47,659**
Tier 1 Police & Fire	15.06%	118,245	17,808	14.74%	187,218	27,596
Tier 2 Police & Fire	15.12%	62,206	9,406	15.03%	57,690	8,671
Total Police & Fire		**180,451**	**27,214**		**244,908**	**36,267**
Total		**$790,005**	**$76,679**		**$839,977**	**$83,926**
Employer normal cost rate						
General Service			**8.11%**			**8.01%**
Police & Fire			**15.08%**			**14.81%**
Aggregate (Default)			**9.71%**			**9.99%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($65,422)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.44%)
B. Actual employer payroll	562,845
C. Payment to transition liability/(surplus)	(2,477)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.46%)
B. Actual employer payroll	563,256
C. Payment to transition liability/(surplus)	(2,591)
4. Supplemental payment to transition liability	0
5. Interest	(4,828)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($65,182)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(65,182)	(65,422)
2. Combined valuation payroll	1,143,671	1,221,922
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.49%)**	**(0.44%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,143,671	1,221,922
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Brookings/2216
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Brookings/2216

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Brookings/2216

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Brookings -- #2216

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Brookings to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Brookings.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Brookings

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	11.07%	8.57%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.96%)	(0.96%)	(0.96%)	(0.96%)	(0.96%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**18.86%**	**16.36%**	**22.89%**	**14.06%**	**16.79%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.45%**	**16.95%**	**23.48%**	**14.55%**	**17.28%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.19%	11.50%	18.94%	9.70%	12.41%
July 1, 2013 to June 30, 2015	18.86%	16.36%	22.89%	14.06%	16.79%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Brookings

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$3,673,836	$3,123,499
Allocated pre-SLGRP pooled liability/(surplus)	(470,256)	(498,521)
Transition liability/(surplus)	(258,314)	(262,132)
Allocated pooled OPSRP UAL	39,321	30,110
Side account	0	0
Net unfunded pension actuarial accrued liability	2,984,587	2,392,956
Combined valuation payroll	2,304,571	2,425,013
Net pension UAL as a percentage of payroll	130%	99%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.96%)	(0.89%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$59,701	$87,248
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$333,575	$19,281	5.65%	$451,131	$25,489
Tier 2 General Service	10.42%	503,771	52,493	10.34%	502,858	51,996
Total General Service		**837,346**	**71,774**		**953,989**	**77,485**
Tier 1 Police & Fire	15.06%	169,051	25,459	14.74%	237,364	34,987
Tier 2 Police & Fire	15.12%	350,499	52,995	15.03%	406,618	61,115
Total Police & Fire		**519,550**	**78,454**		**643,982**	**96,102**
Total		**$1,356,896**	**$150,228**		**$1,597,971**	**$173,587**
Employer normal cost rate						
General Service			**8.57%**			**8.12%**
Police & Fire			**15.10%**			**14.92%**
Aggregate (Default)			**11.07%**			**10.86%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($262,132)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.98%)
B. Actual employer payroll	1,241,679
C. Payment to transition liability/(surplus)	(12,168)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.91%)
B. Actual employer payroll	1,184,973
C. Payment to transition liability/(surplus)	(10,784)
4. Supplemental payment to transition liability	0
5. Interest	(19,134)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($258,314)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(258,314)	(262,132)
2. Combined valuation payroll	2,304,571	2,425,013
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.96%)**	**(0.89%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	2,304,571	2,425,013
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
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503 227 0634

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Burns/2204
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Burns/2204

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Burns/2204

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Burns -- #2204

SEPTEMBER 2012

Secondary Employers

2108 City of Burns

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Burns to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Burns.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Burns

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.13%	7.16%	15.06%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(6.00%)	(6.00%)	(6.00%)	(6.00%)	(6.00%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**12.64%**	**11.67%**	**19.57%**	**10.78%**	**13.51%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.23%**	**12.26%**	**20.16%**	**11.27%**	**14.00%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	6.46%	6.46%	14.48%	5.25%	7.96%
July 1, 2013 to June 30, 2015	12.64%	11.67%	19.57%	10.78%	13.51%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Burns

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,045,040	$760,730
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(457,274)	(466,966)
Allocated pooled OPSRP UAL	11,185	7,333
Side account	0	0
Net unfunded pension actuarial accrued liability	598,951	301,097
Combined valuation payroll	655,546	590,613
Net pension UAL as a percentage of payroll	91%	51%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(6.00%)	(6.52%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$16,982	$21,249
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$154,128	$8,909	5.65%	$149,594	$8,452
Tier 2 General Service	10.42%	65,301	6,804	10.34%	107,303	11,095
Total General Service		**219,429**	**15,713**		**256,897**	**19,547**
Tier 1 Police & Fire	15.06%	30,641	4,615	14.74%	15,016	2,213
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**30,641**	**4,615**		**15,016**	**2,213**
Total		**$250,070**	**$20,328**		**$271,913**	**$21,760**
Employer normal cost rate						
General Service			**7.16%**			**7.61%**
Police & Fire			**15.06%**			**14.74%**
Aggregate (Default)			**8.13%**			**8.00%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($466,966)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(6.41%)
B. Actual employer payroll	323,550
C. Payment to transition liability/(surplus)	(20,740)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(7.06%)
B. Actual employer payroll	323,297
C. Payment to transition liability/(surplus)	(22,824)
4. Supplemental payment to transition liability	0
5. Interest	(33,872)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($457,274)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(457,274)	(466,966)
2. Combined valuation payroll	655,546	590,613
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(6.00%)**	**(6.52%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	655,546	590,613
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Canby/2109
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Canby/2109

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Canby/2109

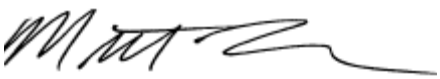
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Canby -- #2109

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Canby to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Canby.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Canby

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.52%	7.82%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(5.70%)	(5.70%)	(5.70%)	(5.70%)	(5.70%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.33%**	**12.63%**	**19.90%**	**11.08%**	**13.81%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.92%**	**13.22%**	**20.49%**	**11.57%**	**14.30%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.11%	8.00%	15.67%	6.42%	9.13%
July 1, 2013 to June 30, 2015	15.33%	12.63%	19.90%	11.08%	13.81%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Canby

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$9,224,398	$7,304,497
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(3,837,789)	(3,896,166)
Allocated pooled OPSRP UAL	98,730	70,413
Side account	0	0
Net unfunded pension actuarial accrued liability	5,485,339	3,478,744
Combined valuation payroll	5,786,399	5,671,044
Net pension UAL as a percentage of payroll	95%	61%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.70%)	(5.66%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$149,900	$204,035
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$1,365,259	$78,912	5.65%	$1,390,103	$78,541
Tier 2 General Service	10.42%	1,066,754	111,156	10.34%	1,068,395	110,472
Total General Service		**2,432,013**	**190,068**		**2,458,498**	**189,013**
Tier 1 Police & Fire	15.06%	803,409	120,993	14.74%	852,872	125,713
Tier 2 Police & Fire	15.12%	635,405	96,073	15.03%	603,137	90,651
Total Police & Fire		**1,438,814**	**217,066**		**1,456,009**	**216,364**
Total		**$3,870,827**	**$407,134**		**$3,914,507**	**$405,377**
Employer normal cost rate						
General Service			**7.82%**			**7.69%**
Police & Fire			**15.09%**			**14.86%**
Aggregate (Default)			**10.52%**			**10.36%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($3,896,166)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(6.22%)
B. Actual employer payroll	2,745,505
C. Payment to transition liability/(surplus)	(170,770)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.89%)
B. Actual employer payroll	2,918,276
C. Payment to transition liability/(surplus)	(171,888)
4. Supplemental payment to transition liability	0
5. Interest	(284,281)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($3,837,789)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(3,837,789)	(3,896,166)
2. Combined valuation payroll	5,786,399	5,671,044
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(5.70%)**	**(5.66%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	5,786,399	5,671,044
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

City of Cannon Beach/2223
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Cannon Beach/2223

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Cannon Beach/2223

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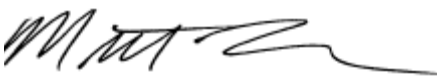
The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



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Consulting Actuary

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Consulting Actuary

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Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Cannon Beach -- #2223

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Cannon Beach to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Cannon Beach.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Cannon Beach

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.18%	7.95%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(2.43%)	(2.43%)	(2.43%)	(2.43%)	(2.43%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.50%**	**14.27%**	**21.44%**	**12.59%**	**15.32%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.09%**	**14.86%**	**22.03%**	**13.08%**	**15.81%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.92%	9.74%	17.13%	8.32%	11.03%
July 1, 2013 to June 30, 2015	15.50%	14.27%	21.44%	12.59%	15.32%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Cannon Beach

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$2,651,653	$2,160,730
Allocated pre-SLGRP pooled liability/(surplus)	(339,416)	(344,860)
Transition liability/(surplus)	(469,889)	(477,342)
Allocated pooled OPSRP UAL	28,381	20,829
Side account	0	0
Net unfunded pension actuarial accrued liability	1,870,729	1,359,357
Combined valuation payroll	1,663,363	1,677,541
Net pension UAL as a percentage of payroll	112%	81%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(2.43%)	(2.35%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$43,090	$60,355
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$466,629	$26,971	5.65%	$450,588	$25,458
Tier 2 General Service	10.42%	408,368	42,552	10.34%	373,431	38,613
Total General Service		**874,997**	**69,523**		**824,019**	**64,071**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	181,635	27,463	15.03%	311,719	46,851
Total Police & Fire		**181,635**	**27,463**		**311,719**	**46,851**
Total		**$1,056,632**	**$96,986**		**$1,135,738**	**$110,922**
Employer normal cost rate						
General Service			**7.95%**			**7.78%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**9.18%**			**9.77%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($477,342)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.47%)
B. Actual employer payroll	888,843
C. Payment to transition liability/(surplus)	(21,954)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.29%)
B. Actual employer payroll	886,665
C. Payment to transition liability/(surplus)	(20,306)
4. Supplemental payment to transition liability	0
5. Interest	(34,807)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($469,889)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(469,889)	(477,342)
2. Combined valuation payroll	1,663,363	1,677,541
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.43%)**	**(2.35%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,663,363	1,677,541
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Carlton/2198
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Carlton/2198

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Carlton/2198

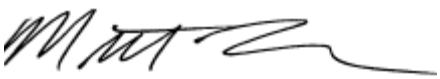
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Carlton -- #2198

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Carlton to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Carlton.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Carlton

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.89%	8.88%	16.00%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(17.48%)	(17.48%)	(17.48%)	(17.48%)	(17.48%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**1.92%**	**1.91%**	**9.03%**	**0.00%**	**2.03%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**2.51%**	**2.50%**	**9.62%**	**0.49%**	**2.52%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	7.29%	3.94%	11.10%	1.45%	4.16%
July 1, 2013 to June 30, 2015	1.92%	1.91%	9.03%	0.00%	2.03%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Carlton

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$483,592	$605,542
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(616,605)	(616,601)
Allocated pooled OPSRP UAL	5,176	5,837
Side account	0	0
Net unfunded pension actuarial accrued liability	(127,837)	(5,222)
Combined valuation payroll	303,354	470,129
Net pension UAL as a percentage of payroll	(42%)	(1%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(17.48%)	(10.81%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$7,859	$16,914
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$48,055	$2,778	5.65%	$43,335	$2,448
Tier 2 General Service	10.42%	97,169	10,125	10.34%	92,576	9,572
Total General Service		**145,224**	**12,903**		**135,911**	**12,020**
Tier 1 Police & Fire	15.06%	0	0	14.74%	18,992	2,799
Tier 2 Police & Fire	15.12%	50	8	15.03%	31,158	4,683
Total Police & Fire		**50**	**8**		**50,150**	**7,482**
Total		**$145,274**	**$12,911**		**$186,061**	**$19,502**
Employer normal cost rate						
General Service			**8.88%**			**8.84%**
Police & Fire			**16.00%**			**14.92%**
Aggregate (Default)			**8.89%**			**10.48%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($616,601)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(11.85%)
B. Actual employer payroll	219,247
C. Payment to transition liability/(surplus)	(24,774)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(10.86%)
B. Actual employer payroll	192,415
C. Payment to transition liability/(surplus)	(20,896)
4. Supplemental payment to transition liability	0
5. Interest	(45,674)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($616,605)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(616,605)	(616,601)
2. Combined valuation payroll	303,354	470,129
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(17.48%)**	**(10.81%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	303,354	470,129
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Cascade Locks/2182
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Cascade Locks/2182

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Cascade Locks/2182

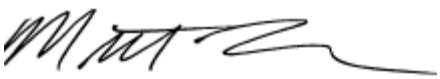
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Cascade Locks -- #2182

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Cascade Locks to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Cascade Locks.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Cascade Locks

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	6.62%	5.78%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	6.72%	6.72%	6.72%	6.72%	6.72%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**22.09%**	**21.25%**	**30.59%**	**21.74%**	**24.47%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**22.68%**	**21.84%**	**31.18%**	**22.23%**	**24.96%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	17.47%	16.40%	25.54%	16.73%	19.44%
July 1, 2013 to June 30, 2015	22.09%	21.25%	30.59%	21.74%	24.47%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Cascade Locks

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,126,989	$1,031,619
Allocated pre-SLGRP pooled liability/(surplus)	(144,256)	(164,650)
Transition liability/(surplus)	552,254	559,346
Allocated pooled OPSRP UAL	12,062	9,944
Side account	0	0
Net unfunded pension actuarial accrued liability	1,547,049	1,436,259
Combined valuation payroll	706,952	800,925
Net pension UAL as a percentage of payroll	219%	179%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	6.72%	5.76%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$18,314	$28,816
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$421,835	$24,382	5.65%	$419,933	$23,726
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**421,835**	**24,382**		**419,933**	**23,726**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	41,937	6,341	15.03%	65,190	9,798
Total Police & Fire		**41,937**	**6,341**		**65,190**	**9,798**
Total		**$463,772**	**$30,723**		**$485,123**	**$33,524**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**6.62%**			**6.91%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$559,346
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	7.42%
B. Actual employer payroll	389,081
C. Payment to transition liability/(surplus)	28,870
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	6.12%
B. Actual employer payroll	312,594
C. Payment to transition liability/(surplus)	19,130
4. Supplemental payment to transition liability	0
5. Interest	40,908
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$552,254**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	552,254	559,346
2. Combined valuation payroll	706,952	800,925
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**6.72%**	**5.76%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	706,952	800,925
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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503 227 0634

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Cave Junction/2194
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Cave Junction/2194

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Cave Junction/2194

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Cave Junction -- #2194

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Cave Junction to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Cave Junction.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Cave Junction

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.34%	7.34%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(1.13%)	(1.13%)	(1.13%)	(1.13%)	(1.13%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**14.96%**	**14.96%**	**22.71%**	**13.89%**	**16.62%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.55%**	**15.55%**	**23.30%**	**14.38%**	**17.11%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.29%	10.29%	18.69%	9.46%	12.17%
July 1, 2013 to June 30, 2015	14.96%	14.96%	22.71%	13.89%	16.62%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Cave Junction

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$688,125	$479,677
Allocated pre-SLGRP pooled liability/(surplus)	(88,081)	(76,558)
Transition liability/(surplus)	(56,595)	(57,227)
Allocated pooled OPSRP UAL	7,365	4,624
Side account	0	0
Net unfunded pension actuarial accrued liability	550,814	350,516
Combined valuation payroll	431,656	372,410
Net pension UAL as a percentage of payroll	128%	94%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(1.13%)	(1.27%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$11,182	$13,399
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$186,317	$10,769	5.65%	$181,104	$10,232
Tier 2 General Service	10.42%	94,770	9,875	10.34%	92,202	9,534
Total General Service		**281,087**	**20,644**		**273,306**	**19,766**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$281,087**	**$20,644**		**$273,306**	**$19,766**
Employer normal cost rate						
General Service			**7.34%**			**7.23%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.34%**			**7.23%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($57,227)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.20%)
B. Actual employer payroll	199,758
C. Payment to transition liability/(surplus)	(2,397)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.15%)
B. Actual employer payroll	211,100
C. Payment to transition liability/(surplus)	(2,427)
4. Supplemental payment to transition liability	0
5. Interest	(4,192)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($56,595)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(56,595)	(57,227)
2. Combined valuation payroll	431,656	372,410
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.13%)**	**(1.27%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	431,656	372,410
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Central Point/2181
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Central Point/2181

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Central Point/2181

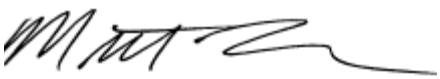
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Central Point -- #2181

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Central Point to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Central Point.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Central Point

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	11.00%	8.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(2.62%)	(2.62%)	(2.62%)	(2.62%)	(2.62%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**18.89%**	**16.67%**	**22.98%**	**14.16%**	**16.89%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.48%**	**17.26%**	**23.57%**	**14.65%**	**17.38%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	13.94%	11.44%	18.50%	9.29%	12.00%
July 1, 2013 to June 30, 2015	18.89%	16.67%	22.98%	14.16%	16.89%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Central Point

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$6,782,441	$5,428,306
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(1,297,699)	(1,460,662)
Allocated pooled OPSRP UAL	72,593	52,327
Side account	0	0
Net unfunded pension actuarial accrued liability	5,557,335	4,019,971
Combined valuation payroll	4,254,577	4,214,412
Net pension UAL as a percentage of payroll	131%	95%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.62%)	(2.86%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$110,217	$151,628
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$706,273	$40,823	5.65%	$731,601	$41,335
Tier 2 General Service	10.42%	1,292,968	134,727	10.34%	1,288,962	133,279
Total General Service		**1,999,241**	**175,550**		**2,020,563**	**174,614**
Tier 1 Police & Fire	15.06%	508,772	76,621	14.74%	487,862	71,911
Tier 2 Police & Fire	15.12%	572,801	86,608	15.03%	566,050	85,077
Total Police & Fire		**1,081,573**	**163,229**		**1,053,912**	**156,988**
Total		**$3,080,814**	**$338,779**		**$3,074,475**	**$331,602**
Employer normal cost rate						
General Service			**8.78%**			**8.64%**
Police & Fire			**15.09%**			**14.90%**
Aggregate (Default)			**11.00%**			**10.79%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,460,662)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(6.63%)
B. Actual employer payroll	2,464,864
C. Payment to transition liability/(surplus)	(163,420)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(3.02%)
B. Actual employer payroll	3,167,831
C. Payment to transition liability/(surplus)	(95,669)
4. Supplemental payment to transition liability	0
5. Interest	(96,126)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,297,699)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,297,699)	(1,460,662)
2. Combined valuation payroll	4,254,577	4,214,412
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.62%)**	**(2.86%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	4,254,577	4,214,412
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

City of Coburg/2201
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Coburg/2201

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Coburg/2201

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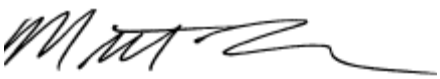
The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



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Consulting Actuary

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Consulting Actuary

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Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Coburg -- #2201

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Coburg to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Coburg.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Coburg

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	11.14%	10.06%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(8.70%)	(8.70%)	(8.70%)	(8.70%)	(8.70%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**12.95%**	**11.87%**	**16.90%**	**8.08%**	**10.81%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.54%**	**12.46%**	**17.49%**	**8.57%**	**11.30%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	4.62%	2.24%	8.14%	0.00%	2.04%
July 1, 2013 to June 30, 2015	12.95%	11.87%	16.90%	8.08%	10.81%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Coburg

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,022,578	$602,549
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(648,677)	(643,323)
Allocated pooled OPSRP UAL	10,945	5,808
Side account	0	0
Net unfunded pension actuarial accrued liability	384,846	(34,966)
Combined valuation payroll	641,456	467,805
Net pension UAL as a percentage of payroll	60%	(7%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(8.70%)	(11.33%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$16,617	$16,831
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$29,638	$1,713	5.65%	$42,296	$2,390
Tier 2 General Service	10.42%	350,151	36,486	10.34%	170,499	17,630
Total General Service		**379,789**	**38,199**		**212,795**	**20,020**
Tier 1 Police & Fire	15.06%	56,760	8,548	14.74%	24,409	3,598
Tier 2 Police & Fire	15.12%	47,895	7,242	15.03%	129,893	19,523
Total Police & Fire		**104,655**	**15,790**		**154,302**	**23,121**
Total		**$484,444**	**$53,989**		**$367,097**	**$43,141**
Employer normal cost rate						
General Service			**10.06%**			**9.41%**
Police & Fire			**15.09%**			**14.98%**
Aggregate (Default)			**11.14%**			**11.75%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($643,323)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(5.08%)
B. Actual employer payroll	234,200
C. Payment to transition liability/(surplus)	(11,897)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(12.98%)
B. Actual employer payroll	239,499
C. Payment to transition liability/(surplus)	(30,799)
4. Supplemental payment to transition liability	0
5. Interest	(48,050)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($648,677)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(648,677)	(643,323)
2. Combined valuation payroll	641,456	467,805
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(8.70%)**	**(11.33%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	641,456	467,805
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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503 227 0634

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Columbia City/2271
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Columbia City/2271

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Columbia City/2271

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Columbia City -- #2271

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Columbia City to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Columbia City.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Columbia City

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.94%	5.78%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.08%)	(0.08%)	(0.08%)	(0.08%)	(0.08%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.61%**	**14.45%**	**23.79%**	**14.94%**	**17.67%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.20%**	**15.04%**	**24.38%**	**15.43%**	**18.16%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.08%	10.29%	19.32%	10.51%	13.22%
July 1, 2013 to June 30, 2015	16.61%	14.45%	23.79%	14.94%	17.67%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Columbia City

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$668,732	$536,770
Allocated pre-SLGRP pooled liability/(surplus)	(85,599)	(85,670)
Transition liability/(surplus)	(3,662)	(3,785)
Allocated pooled OPSRP UAL	7,158	5,174
Side account	0	0
Net unfunded pension actuarial accrued liability	586,629	452,489
Combined valuation payroll	419,491	416,736
Net pension UAL as a percentage of payroll	140%	109%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.08%)	(0.07%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$10,867	$14,994
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$130,657	$7,552	5.65%	$135,171	$7,637
Tier 2 General Service	10.42%	0	0	10.34%	1,986	205
Total General Service		**130,657**	**7,552**		**137,157**	**7,842**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	39,316	5,945	15.03%	40,093	6,026
Total Police & Fire		**39,316**	**5,945**		**40,093**	**6,026**
Total		**$169,973**	**$13,497**		**$177,250**	**$13,868**
Employer normal cost rate						
General Service			**5.78%**			**5.72%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**7.94%**			**7.82%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($3,785)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.08%)
B. Actual employer payroll	216,466
C. Payment to transition liability/(surplus)	(173)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.10%)
B. Actual employer payroll	220,102
C. Payment to transition liability/(surplus)	(221)
4. Supplemental payment to transition liability	0
5. Interest	(271)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($3,662)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(3,662)	(3,785)
2. Combined valuation payroll	419,491	416,736
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.08%)**	**(0.07%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	419,491	416,736
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Condon/2177
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Condon/2177

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Condon/2177

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Condon -- #2177

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Condon to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Condon.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Condon

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	11.60%	10.42%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	8.17%	8.17%	8.17%	8.17%	8.17%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**30.28%**	**29.10%**	**33.80%**	**24.95%**	**27.68%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**30.87%**	**29.69%**	**34.39%**	**25.44%**	**28.17%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	27.11%	25.83%	30.88%	22.07%	24.78%
July 1, 2013 to June 30, 2015	30.28%	29.10%	33.80%	24.95%	27.68%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Condon

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$398,245	$279,302
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	237,416	245,544
Allocated pooled OPSRP UAL	4,262	2,692
Side account	0	0
Net unfunded pension actuarial accrued liability	639,923	527,538
Combined valuation payroll	249,816	216,844
Net pension UAL as a percentage of payroll	256%	243%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	8.17%	9.33%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$6,472	$7,802
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	139,543	14,540	10.34%	135,062	13,965
Total General Service		**139,543**	**14,540**		**135,062**	**13,965**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	46,908	7,092	15.03%	43,753	6,576
Total Police & Fire		**46,908**	**7,092**		**43,753**	**6,576**
Total		**$186,451**	**$21,632**		**$178,815**	**$20,541**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**11.60%**			**11.49%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$245,544
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	10.18%
B. Actual employer payroll	124,189
C. Payment to transition liability/(surplus)	12,642
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	9.76%
B. Actual employer payroll	133,936
C. Payment to transition liability/(surplus)	13,072
4. Supplemental payment to transition liability	0
5. Interest	17,586
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$237,416**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	237,416	245,544
2. Combined valuation payroll	249,816	216,844
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**8.17%**	**9.33%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	249,816	216,844
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

City of Coquille/2110
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012
City of Coquille/2110

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Coquille/2110

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Coquille -- #2110

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Coquille to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Coquille.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Coquille

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	11.34%	8.85%	15.11%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	1.17%	1.17%	1.17%	1.17%	1.17%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**21.26%**	**18.77%**	**25.03%**	**16.19%**	**18.92%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**21.85%**	**19.36%**	**25.62%**	**16.68%**	**19.41%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.69%	13.17%	20.67%	11.69%	14.40%
July 1, 2013 to June 30, 2015	21.26%	18.77%	25.03%	16.19%	18.92%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Coquille

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$2,216,976	$1,838,770
Allocated pre-SLGRP pooled liability/(surplus)	(283,776)	(293,474)
Transition liability/(surplus)	188,986	190,734
Allocated pooled OPSRP UAL	23,729	17,725
Side account	0	0
Net unfunded pension actuarial accrued liability	2,145,915	1,753,755
Combined valuation payroll	1,390,693	1,427,579
Net pension UAL as a percentage of payroll	154%	123%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	1.17%	1.10%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$36,027	$51,362
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$169,743	$9,811	5.65%	$176,156	$9,953
Tier 2 General Service	10.42%	333,374	34,738	10.34%	285,377	29,508
Total General Service		**503,117**	**44,549**		**461,533**	**39,461**
Tier 1 Police & Fire	15.06%	71,152	10,715	14.74%	75,972	11,198
Tier 2 Police & Fire	15.12%	260,430	39,377	15.03%	286,838	43,112
Total Police & Fire		**331,582**	**50,092**		**362,810**	**54,310**
Total		**$834,699**	**$94,641**		**$824,343**	**$93,771**
Employer normal cost rate						
General Service			**8.85%**			**8.55%**
Police & Fire			**15.11%**			**14.97%**
Aggregate (Default)			**11.34%**			**11.38%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$190,734
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	1.10%
B. Actual employer payroll	715,266
C. Payment to transition liability/(surplus)	7,868
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	1.08%
B. Actual employer payroll	729,625
C. Payment to transition liability/(surplus)	7,879
4. Supplemental payment to transition liability	0
5. Interest	13,999
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$188,986**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	188,986	190,734
2. Combined valuation payroll	1,390,693	1,427,579
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**1.17%**	**1.10%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,390,693	1,427,579
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Corvallis/2155
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012
City of Corvallis/2155

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Corvallis/2155

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Corvallis -- #2155

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Corvallis to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Corvallis.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Corvallis

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.24%	7.78%	15.08%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(4.22%)	(4.22%)	(4.22%)	(4.22%)	(4.22%)
Side account rate relief [2]	(2.16%)	(2.16%)	(2.16%)	(2.16%)	(2.16%)
Net pension contribution rate	**14.37%**	**11.91%**	**19.21%**	**10.40%**	**13.13%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.96%**	**12.50%**	**19.80%**	**10.89%**	**13.62%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.00%	7.31%	15.44%	6.03%	8.74%
July 1, 2013 to June 30, 2015	14.37%	11.91%	19.21%	10.40%	13.13%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Corvallis

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$47,475,795	$38,992,634
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(14,596,188)	(14,778,285)
Allocated pooled OPSRP UAL	508,138	375,877
Side account	7,470,097	8,062,617
Net unfunded pension actuarial accrued liability	25,917,648	16,527,609
Combined valuation payroll	29,781,228	30,272,987
Net pension UAL as a percentage of payroll	87%	55%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.22%)	(4.02%)
Side account rate relief	(2.16%)	(2.19%)
Allocated pooled RHIA UAL	$771,498	$1,089,174
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$7,894,636	$456,310	5.65%	$8,676,933	$490,247
Tier 2 General Service	10.42%	5,978,381	622,947	10.34%	6,000,430	620,444
Total General Service		**13,873,017**	**1,079,257**		**14,677,363**	**1,110,691**
Tier 1 Police & Fire	15.06%	4,969,008	748,333	14.74%	5,304,406	781,869
Tier 2 Police & Fire	15.12%	2,107,398	318,639	15.03%	2,180,432	327,719
Total Police & Fire		**7,076,406**	**1,066,972**		**7,484,838**	**1,109,588**
Total		**$20,949,423**	**$2,146,229**		**$22,162,201**	**$2,220,279**
Employer normal cost rate						
General Service			**7.78%**			**7.57%**
Police & Fire			**15.08%**			**14.82%**
Aggregate (Default)			**10.24%**			**10.02%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($14,778,285)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(4.30%)
B. Actual employer payroll	15,121,648
C. Payment to transition liability/(surplus)	(650,231)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.10%)
B. Actual employer payroll	14,952,821
C. Payment to transition liability/(surplus)	(613,065)
4. Supplemental payment to transition liability	0
5. Interest	(1,081,199)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($14,596,188)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(14,596,188)	(14,778,285)
2. Combined valuation payroll	29,781,228	30,272,987
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.22%)**	**(4.02%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$8,062,617**	**$8,062,617**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(806,999)	(806,999)
5. Side account earnings during 2011		215,479	215,479
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$7,470,097**	**$7,470,097**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$7,470,097	$8,062,617
Side Account 2	0	0
Side Account 3	0	0
Total	**$7,470,097**	**$8,062,617**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$7,470,097	$8,062,617
2. Combined valuation payroll	29,781,228	30,272,987
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(2.16%)	(2.19%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Creswell/2236
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Creswell/2236

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012
City of Creswell/2236

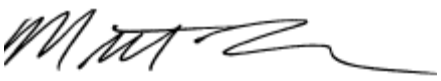
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Creswell -- #2236

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Creswell to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Creswell.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Creswell

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.05%	9.05%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(2.47%)	(2.47%)	(2.47%)	(2.47%)	(2.47%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.09%**	**17.09%**	**23.13%**	**14.31%**	**17.04%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.68%**	**17.68%**	**23.72%**	**14.80%**	**17.53%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.18%	12.18%	18.98%	9.75%	12.46%
July 1, 2013 to June 30, 2015	17.09%	17.09%	23.13%	14.31%	17.04%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Creswell

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,041,944	$694,329
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(187,689)	(191,085)
Allocated pooled OPSRP UAL	11,152	6,693
Side account	0	0
Net unfunded pension actuarial accrued liability	865,407	509,937
Combined valuation payroll	653,604	539,061
Net pension UAL as a percentage of payroll	132%	95%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.47%)	(2.92%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$16,932	$19,395
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$119,494	$6,907	5.65%	$117,690	$6,649
Tier 2 General Service	10.42%	284,610	29,656	10.34%	274,172	28,349
Total General Service		**404,104**	**36,563**		**391,862**	**34,998**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$404,104**	**$36,563**		**$391,862**	**$34,998**
Employer normal cost rate						
General Service			**9.05%**			**8.93%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.05%**			**8.93%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($191,085)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.95%)
B. Actual employer payroll	312,544
C. Payment to transition liability/(surplus)	(9,220)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.56%)
B. Actual employer payroll	315,598
C. Payment to transition liability/(surplus)	(8,079)
4. Supplemental payment to transition liability	0
5. Interest	(13,903)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($187,689)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(187,689)	(191,085)
2. Combined valuation payroll	653,604	539,061
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.47%)**	**(2.92%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	653,604	539,061
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Dallas/2202
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Dallas/2202

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Dallas/2202

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Dallas -- #2202

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Dallas to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Dallas.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Dallas

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	12.08%	9.41%	15.07%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(0.23%)	(0.23%)	(0.23%)	(0.23%)	(0.23%)
Net pension contribution rate	**20.60%**	**17.93%**	**23.59%**	**14.79%**	**17.52%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**21.19%**	**18.52%**	**24.18%**	**15.28%**	**18.01%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.59%	12.79%	19.87%	10.40%	13.11%
July 1, 2013 to June 30, 2015	20.60%	17.93%	23.59%	14.79%	17.52%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Dallas

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$7,197,238	$6,213,728
Allocated pre-SLGRP pooled liability/(surplus)	(921,257)	(991,733)
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	77,033	59,898
Side account	119,973	130,087
Net unfunded pension actuarial accrued liability	6,233,041	5,151,806
Combined valuation payroll	4,514,776	4,824,196
Net pension UAL as a percentage of payroll	138%	107%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.00%	0.00%
Side account rate relief	(0.23%)	(0.22%)
Allocated pooled RHIA UAL	$116,958	$173,567
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$365,762	$21,141	5.65%	$603,548	$34,100
Tier 2 General Service	10.42%	1,315,156	137,039	10.34%	1,410,552	145,851
Total General Service		**1,680,918**	**158,180**		**2,014,100**	**179,951**
Tier 1 Police & Fire	15.06%	1,163,673	175,249	14.74%	1,245,391	183,571
Tier 2 Police & Fire	15.12%	330,691	50,000	15.03%	311,559	46,827
Total Police & Fire		**1,494,364**	**225,249**		**1,556,950**	**230,398**
Total		**$3,175,282**	**$383,429**		**$3,571,050**	**$410,349**
Employer normal cost rate						
General Service			**9.41%**			**8.93%**
Police & Fire			**15.07%**			**14.80%**
Aggregate (Default)			**12.08%**			**11.49%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	4,514,776	4,824,196
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$130,087**	**$130,087**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(12,599)	(12,599)
5. Side account earnings during 2011		3,485	3,485
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$119,973**	**$119,973**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$119,973	$130,087
Side Account 2	0	0
Side Account 3	0	0
Total	**$119,973**	**$130,087**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$119,973	$130,087
2. Combined valuation payroll	4,514,776	4,824,196
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(0.23%)	(0.22%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Dayton/2252
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Dayton/2252

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Dayton/2252

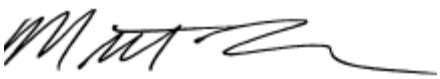
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Dayton -- #2252

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Dayton to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Dayton.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Dayton

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.81%	7.81%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(7.83%)	(7.83%)	(7.83%)	(7.83%)	(7.83%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**8.73%**	**8.73%**	**16.01%**	**7.19%**	**9.92%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**9.32%**	**9.32%**	**16.60%**	**7.68%**	**10.41%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	5.99%	5.99%	14.16%	4.93%	7.64%
July 1, 2013 to June 30, 2015	8.73%	8.73%	16.01%	7.19%	9.92%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Dayton

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$486,848	$383,462
Allocated pre-SLGRP pooled liability/(surplus)	(62,317)	(61,202)
Transition liability/(surplus)	(278,165)	(279,955)
Allocated pooled OPSRP UAL	5,211	3,696
Side account	0	0
Net unfunded pension actuarial accrued liability	151,577	46,001
Combined valuation payroll	305,396	297,711
Net pension UAL as a percentage of payroll	50%	15%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(7.83%)	(7.75%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$7,911	$10,711
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$151,391	$8,750	5.65%	$185,263	$10,467
Tier 2 General Service	10.42%	118,175	12,314	10.34%	112,448	11,627
Total General Service		**269,566**	**21,064**		**297,711**	**22,094**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$269,566**	**$21,064**		**$297,711**	**$22,094**
Employer normal cost rate						
General Service			**7.81%**			**7.42%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.81%**			**7.42%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($279,955)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(7.03%)
B. Actual employer payroll	174,887
C. Payment to transition liability/(surplus)	(12,843)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.68%)
B. Actual employer payroll	168,162
C. Payment to transition liability/(surplus)	(9,552)
4. Supplemental payment to transition liability	0
5. Interest	(20,605)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($278,165)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(278,165)	(279,955)
2. Combined valuation payroll	305,396	297,711
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(7.83%)**	**(7.75%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	305,396	297,711
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
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September 28, 2012

City of Depoe Bay/2294
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012
City of Depoe Bay/2294

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012

City of Depoe Bay/2294

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Depoe Bay -- #2294

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Depoe Bay to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Depoe Bay.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Depoe Bay

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.23%	8.23%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.07%)	(0.07%)	(0.07%)	(0.07%)	(0.07%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.91%**	**16.91%**	**23.77%**	**14.95%**	**17.68%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.50%**	**17.50%**	**24.36%**	**15.44%**	**18.17%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.37%	12.37%	19.77%	10.54%	13.25%
July 1, 2013 to June 30, 2015	16.91%	16.91%	23.77%	14.95%	17.68%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Depoe Bay

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$952,040	$747,969
Allocated pre-SLGRP pooled liability/(surplus)	(121,863)	(119,378)
Transition liability/(surplus)	(4,817)	(4,859)
Allocated pooled OPSRP UAL	10,190	7,210
Side account	0	0
Net unfunded pension actuarial accrued liability	835,550	630,942
Combined valuation payroll	597,208	580,706
Net pension UAL as a percentage of payroll	140%	109%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.07%)	(0.07%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$15,471	$20,893
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$206,052	$11,910	5.65%	$203,416	$11,493
Tier 2 General Service	10.42%	230,949	24,065	10.34%	231,732	23,961
Total General Service		**437,001**	**35,975**		**435,148**	**35,454**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$437,001**	**$35,975**		**$435,148**	**$35,454**
Employer normal cost rate						
General Service			**8.23%**			**8.15%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.23%**			**8.15%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($4,859)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.07%)
B. Actual employer payroll	277,052
C. Payment to transition liability/(surplus)	(194)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.07%)
B. Actual employer payroll	293,033
C. Payment to transition liability/(surplus)	(205)
4. Supplemental payment to transition liability	0
5. Interest	(357)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($4,817)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(4,817)	(4,859)
2. Combined valuation payroll	597,208	580,706
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.07%)**	**(0.07%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	597,208	580,706
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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503 227 0634

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Drain/2131
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Drain/2131

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Drain/2131

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Drain -- #2131

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Drain to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Drain.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Drain

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.49%	8.49%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.24%**	**17.24%**	**23.84%**	**15.02%**	**17.75%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.83%**	**17.83%**	**24.43%**	**15.51%**	**18.24%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.61%	12.61%	19.84%	10.61%	13.32%
July 1, 2013 to June 30, 2015	17.24%	17.24%	23.84%	15.02%	17.75%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Drain

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$886,844	$699,670
Allocated pre-SLGRP pooled liability/(surplus)	(113,517)	(111,670)
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	9,492	6,745
Side account	0	0
Net unfunded pension actuarial accrued liability	782,819	594,745
Combined valuation payroll	556,311	543,208
Net pension UAL as a percentage of payroll	141%	109%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.00%	0.00%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$14,412	$19,544
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$154,595	$8,936	5.65%	$151,481	$8,559
Tier 2 General Service	10.42%	216,716	22,582	10.34%	210,856	21,803
Total General Service		**371,311**	**31,518**		**362,337**	**30,362**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$371,311**	**$31,518**		**$362,337**	**$30,362**
Employer normal cost rate						
General Service			**8.49%**			**8.38%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.49%**			**8.38%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	556,311	543,208
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	556,311	543,208
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Dundee/2245
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Dundee/2245

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Dundee/2245

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Dundee -- #2245

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Dundee to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Dundee.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Dundee

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.78%	8.55%	15.06%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(3.42%)	(3.42%)	(3.42%)	(3.42%)	(3.42%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.87%**	**15.64%**	**22.15%**	**13.36%**	**16.09%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.46%**	**16.23%**	**22.74%**	**13.85%**	**16.58%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.17%	10.75%	18.29%	8.64%	11.35%
July 1, 2013 to June 30, 2015	16.87%	15.64%	22.15%	13.36%	16.09%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Dundee

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$761,646	$570,259
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(190,064)	(193,405)
Allocated pooled OPSRP UAL	8,152	5,497
Side account	0	0
Net unfunded pension actuarial accrued liability	579,734	382,351
Combined valuation payroll	477,775	442,736
Net pension UAL as a percentage of payroll	121%	86%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.42%)	(3.60%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$12,377	$15,929
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$101,879	$5,889	5.65%	$99,443	$5,619
Tier 2 General Service	10.42%	151,419	15,778	10.34%	147,443	15,246
Total General Service		**253,298**	**21,667**		**246,886**	**20,865**
Tier 1 Police & Fire	15.06%	58,812	8,857	14.74%	57,251	8,439
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**58,812**	**8,857**		**57,251**	**8,439**
Total		**$312,110**	**$30,524**		**$304,137**	**$29,304**
Employer normal cost rate						
General Service			**8.55%**			**8.45%**
Police & Fire			**15.06%**			**14.74%**
Aggregate (Default)			**9.78%**			**9.64%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($193,405)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.97%)
B. Actual employer payroll	226,032
C. Payment to transition liability/(surplus)	(8,973)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(3.67%)
B. Actual employer payroll	230,156
C. Payment to transition liability/(surplus)	(8,447)
4. Supplemental payment to transition liability	0
5. Interest	(14,079)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($190,064)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(190,064)	(193,405)
2. Combined valuation payroll	477,775	442,736
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.42%)**	**(3.60%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	477,775	442,736
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Dunes City/2299
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Dunes City/2299

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Dunes City/2299

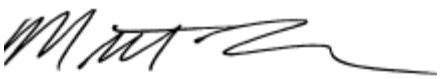
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Dunes City -- #2299

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Dunes City to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Dunes City.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Dunes City

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.15%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	3.45%	3.45%	3.45%	3.45%	3.45%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**21.35%**	**20.12%**	**27.29%**	**18.47%**	**21.20%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**21.94%**	**20.71%**	**27.88%**	**18.96%**	**21.69%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.42%	14.11%	21.89%	12.66%	15.37%
July 1, 2013 to June 30, 2015	21.35%	20.12%	27.29%	18.47%	21.20%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Dunes City

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$97,486	$103,117
Allocated pre-SLGRP pooled liability/(surplus)	(12,478)	(16,458)
Transition liability/(surplus)	24,560	24,961
Allocated pooled OPSRP UAL	1,043	994
Side account	0	0
Net unfunded pension actuarial accrued liability	110,611	112,614
Combined valuation payroll	61,152	80,058
Net pension UAL as a percentage of payroll	181%	141%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	3.45%	2.57%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,584	$2,880
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$0**	**$0**		**$0**	**$0**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.15%**			**8.96%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$24,961
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	5.44%
B. Actual employer payroll	34,020
C. Payment to transition liability/(surplus)	1,851
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	2.05%
B. Actual employer payroll	18,000
C. Payment to transition liability/(surplus)	369
4. Supplemental payment to transition liability	0
5. Interest	1,819
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$24,560**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	24,560	24,961
2. Combined valuation payroll	61,152	80,058
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**3.45%**	**2.57%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	61,152	80,058
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Durham/2269
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Durham/2269

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Durham/2269

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Durham -- #2269

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Durham to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Durham.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Durham

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.78%	5.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(4.19%)	(4.19%)	(4.19%)	(4.19%)	(4.19%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**12.10%**	**12.10%**	**21.41%**	**12.59%**	**15.32%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**12.69%**	**12.69%**	**22.00%**	**13.08%**	**15.81%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	6.60%	6.60%	16.16%	6.93%	9.64%
July 1, 2013 to June 30, 2015	12.10%	12.10%	21.41%	12.59%	15.32%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Durham

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$144,489	$108,030
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(44,162)	(47,580)
Allocated pooled OPSRP UAL	1,546	1,041
Side account	0	0
Net unfunded pension actuarial accrued liability	101,873	61,491
Combined valuation payroll	90,637	83,872
Net pension UAL as a percentage of payroll	112%	73%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.19%)	(4.68%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,348	$3,018
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$3,268	$189	5.65%	$5,890	$333
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**3,268**	**189**		**5,890**	**333**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$3,268**	**$189**		**$5,890**	**$333**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.78%**			**5.65%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($47,580)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(8.02%)
B. Actual employer payroll	41,075
C. Payment to transition liability/(surplus)	(4,286)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.38%)
B. Actual employer payroll	44,645
C. Payment to transition liability/(surplus)	(2,403)
4. Supplemental payment to transition liability	0
5. Interest	(3,271)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($44,162)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(44,162)	(47,580)
2. Combined valuation payroll	90,637	83,872
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.19%)**	**(4.68%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	90,637	83,872
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

City of Echo/2225
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Echo/2225

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012

City of Echo/2225

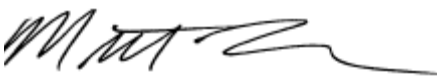
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Echo -- #2225

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Echo to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Echo.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Echo

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.78%	5.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	6.51%	6.51%	6.51%	6.51%	6.51%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**21.04%**	**21.04%**	**30.35%**	**21.53%**	**24.26%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**21.63%**	**21.63%**	**30.94%**	**22.02%**	**24.75%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	16.43%	16.43%	25.99%	16.76%	19.47%
July 1, 2013 to June 30, 2015	21.04%	21.04%	30.35%	21.53%	24.26%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Echo

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$277,523	$226,435
Allocated pre-SLGRP pooled liability/(surplus)	(35,523)	(36,140)
Transition liability/(surplus)	131,792	132,001
Allocated pooled OPSRP UAL	2,970	2,183
Side account	0	0
Net unfunded pension actuarial accrued liability	376,762	324,479
Combined valuation payroll	174,088	175,799
Net pension UAL as a percentage of payroll	216%	185%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	6.51%	6.19%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$4,510	$6,325
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$108,198	$6,254	5.65%	$108,252	$6,116
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**108,198**	**6,254**		**108,252**	**6,116**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$108,198**	**$6,254**		**$108,252**	**$6,116**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.78%**			**5.65%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$132,001
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	6.19%
B. Actual employer payroll	79,880
C. Payment to transition liability/(surplus)	4,945
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	6.15%
B. Actual employer payroll	81,732
C. Payment to transition liability/(surplus)	5,026
4. Supplemental payment to transition liability	0
5. Interest	9,762
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$131,792**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	131,792	132,001
2. Combined valuation payroll	174,088	175,799
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**6.51%**	**6.19%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	174,088	175,799
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Elgin/2205
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012
City of Elgin/2205

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
City of Elgin/2205

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Elgin -- #2205

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Elgin to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Elgin.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Elgin

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.00%	7.00%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(27.40%)	(27.40%)	(27.40%)	(27.40%)	(27.40%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	0.97%	0.00%	5.92%	0.00%	0.00%
July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%	0.00%	0.00%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Elgin

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$447,937	$462,363
Allocated pre-SLGRP pooled liability/(surplus)	(57,337)	(73,795)
Transition liability/(surplus)	(894,961)	(868,974)
Allocated pooled OPSRP UAL	4,794	4,457
Side account	0	0
Net unfunded pension actuarial accrued liability	(499,567)	(475,949)
Combined valuation payroll	280,988	358,968
Net pension UAL as a percentage of payroll	(178%)	(133%)
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(27.40%)	(19.95%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$7,279	$12,915
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$50,826	$2,938	5.65%	$48,334	$2,731
Tier 2 General Service	10.42%	18,138	1,890	10.34%	17,140	1,772
Total General Service		**68,964**	**4,828**		**65,474**	**4,503**
Tier 1 Police & Fire	15.06%	0	0	14.74%	65,914	9,716
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**65,914**	**9,716**
Total		**$68,964**	**$4,828**		**$131,388**	**$14,219**
Employer normal cost rate						
General Service			**7.00%**			**6.88%**
Police & Fire			**15.09%**			**14.74%**
Aggregate (Default)			**7.00%**			**10.82%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($868,974)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(11.07%)
B. Actual employer payroll	163,951
C. Payment to transition liability/(surplus)	(16,752)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(14.34%)
B. Actual employer payroll	194,419
C. Payment to transition liability/(surplus)	(23,554)
4. Supplemental payment to transition liability	0
5. Interest	(66,293)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($894,961)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(894,961)	(868,974)
2. Combined valuation payroll	280,988	358,968
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(27.40%)**	**(19.95%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	280,988	358,968
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Elkton/2305
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
City of Elkton/2305

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Elkton/2305

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Elkton -- #2305

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Elkton to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Elkton.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Elkton

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.04%	0.04%	0.04%	0.04%	0.04%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.21%**	**19.21%**	**23.88%**	**15.06%**	**17.79%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.80%**	**19.80%**	**24.47%**	**15.55%**	**18.28%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.40%	14.40%	19.87%	10.64%	13.35%
July 1, 2013 to June 30, 2015	19.21%	19.21%	23.88%	15.06%	17.79%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Elkton

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$99,238	$73,095
Allocated pre-SLGRP pooled liability/(surplus)	(12,703)	(11,666)
Transition liability/(surplus)	257	256
Allocated pooled OPSRP UAL	1,062	705
Side account	0	0
Net unfunded pension actuarial accrued liability	87,854	62,390
Combined valuation payroll	62,251	56,749
Net pension UAL as a percentage of payroll	141%	110%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.04%	0.04%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,613	$2,042
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	62,251	6,487	10.34%	56,749	5,868
Total General Service		**62,251**	**6,487**		**56,749**	**5,868**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$62,251**	**$6,487**		**$56,749**	**$5,868**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$256
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.03%
B. Actual employer payroll	28,684
C. Payment to transition liability/(surplus)	9
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.03%
B. Actual employer payroll	31,151
C. Payment to transition liability/(surplus)	9
4. Supplemental payment to transition liability	0
5. Interest	19
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$257**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	257	256
2. Combined valuation payroll	62,251	56,749
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.04%**	**0.04%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	62,251	56,749
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Enterprise/2180
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Enterprise/2180

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Enterprise/2180

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Enterprise -- #2180

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Enterprise to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Enterprise.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Enterprise

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.82%	8.00%	15.06%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(0.06%)	(0.06%)	(0.06%)	(0.06%)	(0.06%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**20.27%**	**18.45%**	**25.51%**	**16.72%**	**19.45%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.86%**	**19.04%**	**26.10%**	**17.21%**	**19.94%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.89%	13.90%	21.90%	12.25%	14.96%
July 1, 2013 to June 30, 2015	20.27%	18.45%	25.51%	16.72%	19.45%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Enterprise

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,112,828	$838,139
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(4,683)	(4,794)
Allocated pooled OPSRP UAL	11,911	8,079
Side account	0	0
Net unfunded pension actuarial accrued liability	1,120,056	841,424
Combined valuation payroll	698,069	650,712
Net pension UAL as a percentage of payroll	160%	129%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(0.06%)	(0.06%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$18,084	$23,412
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$174,147	$10,066	5.65%	$168,442	$9,517
Tier 2 General Service	10.42%	159,058	16,574	10.34%	157,778	16,314
Total General Service		**333,205**	**26,640**		**326,220**	**25,831**
Tier 1 Police & Fire	15.06%	116,035	17,475	14.74%	112,471	16,578
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**116,035**	**17,475**		**112,471**	**16,578**
Total		**$449,240**	**$44,115**		**$438,691**	**$42,409**
Employer normal cost rate						
General Service			**8.00%**			**7.92%**
Police & Fire			**15.06%**			**14.74%**
Aggregate (Default)			**9.82%**			**9.67%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($4,794)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.08%)
B. Actual employer payroll	324,677
C. Payment to transition liability/(surplus)	(260)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.06%)
B. Actual employer payroll	328,924
C. Payment to transition liability/(surplus)	(198)
4. Supplemental payment to transition liability	0
5. Interest	(347)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($4,683)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(4,683)	(4,794)
2. Combined valuation payroll	698,069	650,712
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.06%)**	**(0.06%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	698,069	650,712
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Estacada/2179
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Estacada/2179

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Estacada/2179

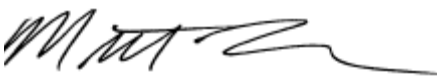
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Estacada -- #2179

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Estacada to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Estacada.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Estacada

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.75%	7.75%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.94%	0.94%	0.94%	0.94%	0.94%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.44%**	**17.44%**	**24.78%**	**15.96%**	**18.69%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.03%**	**18.03%**	**25.37%**	**16.45%**	**19.18%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.73%	12.73%	20.96%	11.73%	14.44%
July 1, 2013 to June 30, 2015	17.44%	17.44%	24.78%	15.96%	18.69%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Estacada

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,278,711	$1,003,174
Allocated pre-SLGRP pooled liability/(surplus)	(163,677)	(160,110)
Transition liability/(surplus)	87,413	91,035
Allocated pooled OPSRP UAL	13,686	9,670
Side account	0	0
Net unfunded pension actuarial accrued liability	1,216,133	943,769
Combined valuation payroll	802,126	778,841
Net pension UAL as a percentage of payroll	152%	121%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.94%	0.96%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$20,779	$28,021
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$212,413	$12,277	5.65%	$204,317	$11,544
Tier 2 General Service	10.42%	156,088	16,264	10.34%	119,847	12,392
Total General Service		**368,501**	**28,541**		**324,164**	**23,936**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$368,501**	**$28,541**		**$324,164**	**$23,936**
Employer normal cost rate						
General Service			**7.75%**			**7.38%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.75%**			**7.38%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$91,035
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	1.06%
B. Actual employer payroll	457,138
C. Payment to transition liability/(surplus)	4,846
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	1.12%
B. Actual employer payroll	468,914
C. Payment to transition liability/(surplus)	5,251
4. Supplemental payment to transition liability	0
5. Interest	6,475
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$87,413**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	87,413	91,035
2. Combined valuation payroll	802,126	778,841
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.94%**	**0.96%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	802,126	778,841
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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503 227 0634

September 28, 2012

City of Fairview/2208
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Fairview/2208

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012
City of Fairview/2208

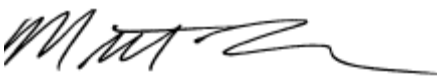
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Fairview -- #2208

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Fairview to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Fairview.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Fairview

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	11.34%	9.63%	15.08%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.49%	10.49%	10.49%	10.49%	10.49%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(3.83%)	(3.83%)	(3.83%)	(3.83%)	(3.83%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**18.15%**	**16.44%**	**21.89%**	**13.08%**	**15.81%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.74%**	**17.03%**	**22.48%**	**13.57%**	**16.30%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	13.49%	11.77%	17.90%	8.57%	11.28%
July 1, 2013 to June 30, 2015	18.15%	16.44%	21.89%	13.08%	15.81%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Fairview

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$3,589,830	$3,079,802
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(1,001,772)	(1,057,814)
Allocated pooled OPSRP UAL	38,422	29,688
Side account	0	0
Net unfunded pension actuarial accrued liability	2,626,480	2,051,676
Combined valuation payroll	2,251,875	2,391,088
Net pension UAL as a percentage of payroll	117%	86%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.83%)	(3.65%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$58,336	$86,028
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$141,084	$8,155	5.65%	$134,262	$7,586
Tier 2 General Service	10.42%	684,503	71,325	10.34%	760,325	78,618
Total General Service		**825,587**	**79,480**		**894,587**	**86,204**
Tier 1 Police & Fire	15.06%	227,726	34,296	14.74%	227,860	33,587
Tier 2 Police & Fire	15.12%	151,279	22,873	15.03%	143,433	21,558
Total Police & Fire		**379,005**	**57,169**		**371,293**	**55,145**
Total		**$1,204,592**	**$136,649**		**$1,265,880**	**$141,349**
Employer normal cost rate						
General Service			**9.63%**			**9.64%**
Police & Fire			**15.08%**			**14.85%**
Aggregate (Default)			**11.34%**			**11.17%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,057,814)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(7.27%)
B. Actual employer payroll	1,179,546
C. Payment to transition liability/(surplus)	(85,753)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(3.86%)
B. Actual employer payroll	1,152,691
C. Payment to transition liability/(surplus)	(44,494)
4. Supplemental payment to transition liability	0
5. Interest	(74,205)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,001,772)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,001,772)	(1,057,814)
2. Combined valuation payroll	2,251,875	2,391,088
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.83%)**	**(3.65%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	2,251,875	2,391,088
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Falls City/2224
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Falls City/2224

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Falls City/2224

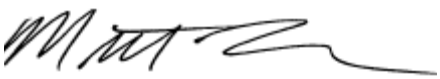
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Falls City -- #2224

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Falls City to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Falls City.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Falls City

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.08%	9.08%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(4.88%)	(4.88%)	(4.88%)	(4.88%)	(4.88%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**14.71%**	**14.71%**	**20.72%**	**11.90%**	**14.63%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.30%**	**15.30%**	**21.31%**	**12.39%**	**15.12%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	7.85%	7.85%	15.23%	6.00%	8.71%
July 1, 2013 to June 30, 2015	14.71%	14.71%	20.72%	11.90%	14.63%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Falls City

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$241,887	$181,511
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(86,040)	(93,865)
Allocated pooled OPSRP UAL	2,589	1,750
Side account	0	0
Net unfunded pension actuarial accrued liability	158,436	89,396
Combined valuation payroll	151,734	140,921
Net pension UAL as a percentage of payroll	104%	63%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.88%)	(5.49%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$3,931	$5,070
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$42,368	$2,449	5.65%	$41,433	$2,341
Tier 2 General Service	10.42%	104,434	10,882	10.34%	97,369	10,068
Total General Service		**146,802**	**13,331**		**138,802**	**12,409**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$146,802**	**$13,331**		**$138,802**	**$12,409**
Employer normal cost rate						
General Service			**9.08%**			**8.94%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.08%**			**8.94%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($93,865)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(9.80%)
B. Actual employer payroll	87,018
C. Payment to transition liability/(surplus)	(8,655)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(6.31%)
B. Actual employer payroll	87,845
C. Payment to transition liability/(surplus)	(5,543)
4. Supplemental payment to transition liability	0
5. Interest	(6,373)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($86,040)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(86,040)	(93,865)
2. Combined valuation payroll	151,734	140,921
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.88%)**	**(5.49%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	151,734	140,921
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Florence/2291
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Florence/2291

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Florence/2291

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Florence -- #2291

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Florence to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Florence.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Florence

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.34%	8.18%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(7.55%)	(7.55%)	(7.55%)	(7.55%)	(7.55%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**13.30%**	**11.14%**	**18.05%**	**9.23%**	**11.96%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.89%**	**11.73%**	**18.64%**	**9.72%**	**12.45%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.79%	7.66%	15.37%	6.07%	8.78%
July 1, 2013 to June 30, 2015	13.30%	11.14%	18.05%	9.23%	11.96%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Florence

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$5,189,630	$4,429,586
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(2,856,572)	(2,833,027)
Allocated pooled OPSRP UAL	55,545	42,700
Side account	0	0
Net unfunded pension actuarial accrued liability	2,388,603	1,639,259
Combined valuation payroll	3,255,418	3,439,029
Net pension UAL as a percentage of payroll	73%	48%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(7.55%)	(6.79%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$84,333	$123,731
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$785,866	$45,423	5.65%	$877,591	$49,584
Tier 2 General Service	10.42%	842,631	87,802	10.34%	849,233	87,811
Total General Service		**1,628,497**	**133,225**		**1,726,824**	**137,395**
Tier 1 Police & Fire	15.06%	388,637	58,529	14.74%	442,108	65,167
Tier 2 Police & Fire	15.12%	350,537	53,001	15.03%	324,957	48,841
Total Police & Fire		**739,174**	**111,530**		**767,065**	**114,008**
Total		**$2,367,671**	**$244,755**		**$2,493,889**	**$251,403**
Employer normal cost rate						
General Service			**8.18%**			**7.96%**
Police & Fire			**15.09%**			**14.86%**
Aggregate (Default)			**10.34%**			**10.08%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($2,833,027)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(5.06%)
B. Actual employer payroll	1,667,232
C. Payment to transition liability/(surplus)	(84,362)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(6.24%)
B. Actual employer payroll	1,661,726
C. Payment to transition liability/(surplus)	(103,691)
4. Supplemental payment to transition liability	0
5. Interest	(211,598)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($2,856,572)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(2,856,572)	(2,833,027)
2. Combined valuation payroll	3,255,418	3,439,029
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(7.55%)**	**(6.79%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	3,255,418	3,439,029
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Garibaldi/2220
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Garibaldi/2220

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Garibaldi/2220

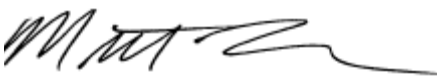
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Garibaldi -- #2220

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Garibaldi to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Garibaldi.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Garibaldi

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.79%	8.79%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	2.47%	2.47%	2.47%	2.47%	2.47%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**21.77%**	**21.77%**	**28.07%**	**19.25%**	**21.98%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**22.36%**	**22.36%**	**28.66%**	**19.74%**	**22.47%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	17.11%	17.11%	24.02%	14.79%	17.50%
July 1, 2013 to June 30, 2015	21.77%	21.77%	28.07%	19.25%	21.98%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Garibaldi

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$363,530	$313,902
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	65,615	66,122
Allocated pooled OPSRP UAL	3,891	3,026
Side account	0	0
Net unfunded pension actuarial accrued liability	433,036	383,050
Combined valuation payroll	228,040	243,706
Net pension UAL as a percentage of payroll	190%	157%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	2.47%	2.24%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$5,907	$8,768
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$49,383	$2,854	5.65%	$47,261	$2,670
Tier 2 General Service	10.42%	91,204	9,503	10.34%	87,123	9,009
Total General Service		**140,587**	**12,357**		**134,384**	**11,679**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$140,587**	**$12,357**		**$134,384**	**$11,679**
Employer normal cost rate						
General Service			**8.79%**			**8.69%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.79%**			**8.69%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$66,122
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	1.91%
B. Actual employer payroll	120,394
C. Payment to transition liability/(surplus)	2,300
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	2.48%
B. Actual employer payroll	123,711
C. Payment to transition liability/(surplus)	3,067
4. Supplemental payment to transition liability	0
5. Interest	4,860
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$65,615**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	65,615	66,122
2. Combined valuation payroll	228,040	243,706
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**2.47%**	**2.24%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	228,040	243,706
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Gaston/2242
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Gaston/2242

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Gaston/2242

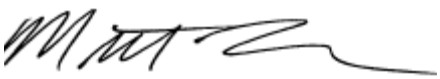
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Gaston -- #2242

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Gaston to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Gaston.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Gaston

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.78%	5.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(34.13%)	(34.13%)	(34.13%)	(34.13%)	(34.13%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%	0.00%	0.00%
July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%	0.00%	0.00%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Gaston

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$124,897	$110,113
Allocated pre-SLGRP pooled liability/(surplus)	(15,987)	(17,574)
Transition liability/(surplus)	(310,900)	(294,229)
Allocated pooled OPSRP UAL	1,337	1,061
Side account	0	0
Net unfunded pension actuarial accrued liability	(200,653)	(200,629)
Combined valuation payroll	78,347	85,489
Net pension UAL as a percentage of payroll	(256%)	(235%)
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(34.13%)	(28.36%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,030	$3,076
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$78,347	$4,528	5.65%	$85,489	$4,830
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**78,347**	**4,528**		**85,489**	**4,830**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$78,347**	**$4,528**		**$85,489**	**$4,830**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.78%**			**5.65%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($294,229)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(6.25%)
B. Actual employer payroll	34,213
C. Payment to transition liability/(surplus)	(2,138)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(10.28%)
B. Actual employer payroll	41,056
C. Payment to transition liability/(surplus)	(4,221)
4. Supplemental payment to transition liability	0
5. Interest	(23,030)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($310,900)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	**December 31, 2010**
1. Total transition liability/(surplus)	(310,900)	(294,229)
2. Combined valuation payroll	78,347	85,489
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(34.13%)**	**(28.36%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	78,347	85,489
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

City of Gladstone/2304
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Gladstone/2304

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012
City of Gladstone/2304

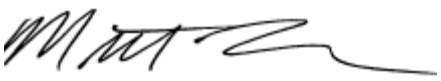
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Gladstone -- #2304

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Gladstone to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Gladstone.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Gladstone

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.62%	7.80%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(6.09%)	(6.09%)	(6.09%)	(6.09%)	(6.09%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.04%**	**12.22%**	**19.51%**	**10.69%**	**13.42%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.63%**	**12.81%**	**20.10%**	**11.18%**	**13.91%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	**80% to 120%**	**Under 70% or Over 130%**
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.25%	8.00%	15.79%	6.52%	9.23%
July 1, 2013 to June 30, 2015	15.04%	12.22%	19.51%	10.69%	13.42%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Gladstone

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$3,656,598	$3,264,057
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(1,623,959)	(1,663,250)
Allocated pooled OPSRP UAL	39,137	31,464
Side account	0	0
Net unfunded pension actuarial accrued liability	2,071,776	1,632,271
Combined valuation payroll	2,293,758	2,534,139
Net pension UAL as a percentage of payroll	90%	64%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(6.09%)	(5.41%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$59,421	$91,174
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$471,415	$27,248	5.65%	$426,581	$24,102
Tier 2 General Service	10.42%	363,764	37,904	10.34%	355,756	36,785
Total General Service		**835,179**	**65,152**		**782,337**	**60,887**
Tier 1 Police & Fire	15.06%	296,832	44,703	14.74%	435,467	64,188
Tier 2 Police & Fire	15.12%	229,109	34,641	15.03%	464,808	69,861
Total Police & Fire		**525,941**	**79,344**		**900,275**	**134,049**
Total		**$1,361,120**	**$144,496**		**$1,682,612**	**$194,936**
Employer normal cost rate						
General Service			**7.80%**			**7.78%**
Police & Fire			**15.09%**			**14.89%**
Aggregate (Default)			**10.62%**			**11.59%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,663,250)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(6.08%)
B. Actual employer payroll	1,260,132
C. Payment to transition liability/(surplus)	(76,616)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.79%)
B. Actual employer payroll	1,432,952
C. Payment to transition liability/(surplus)	(82,968)
4. Supplemental payment to transition liability	0
5. Interest	(120,293)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,623,959)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,623,959)	(1,663,250)
2. Combined valuation payroll	2,293,758	2,534,139
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(6.09%)**	**(5.41%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	2,293,758	2,534,139
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Gold Hill/2274
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012
City of Gold Hill/2274

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
City of Gold Hill/2274

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Gold Hill -- #2274

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Gold Hill to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Gold Hill.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Gold Hill

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.43%	8.43%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(9.07%)	(9.07%)	(9.07%)	(9.07%)	(9.07%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**8.11%**	**8.11%**	**14.77%**	**5.95%**	**8.68%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**8.70%**	**8.70%**	**15.36%**	**6.44%**	**9.17%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	6.81%	5.53%	10.58%	1.77%	4.48%
July 1, 2013 to June 30, 2015	8.11%	8.11%	14.77%	5.95%	8.68%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Gold Hill

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$386,995	$343,761
Allocated pre-SLGRP pooled liability/(surplus)	(49,536)	(54,865)
Transition liability/(surplus)	(255,919)	(253,621)
Allocated pooled OPSRP UAL	4,142	3,314
Side account	0	0
Net unfunded pension actuarial accrued liability	85,682	38,589
Combined valuation payroll	242,759	266,888
Net pension UAL as a percentage of payroll	35%	14%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(9.07%)	(7.83%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$6,289	$9,602
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$67,280	$3,889	5.65%	$0	$0
Tier 2 General Service	10.42%	89,580	9,334	10.34%	176,484	18,248
Total General Service		**156,860**	**13,223**		**176,484**	**18,248**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	39,182	5,889
Total Police & Fire		**0**	**0**		**39,182**	**5,889**
Total		**$156,860**	**$13,223**		**$215,666**	**$24,137**
Employer normal cost rate						
General Service			**8.43%**			**10.34%**
Police & Fire			**15.09%**			**15.03%**
Aggregate (Default)			**8.43%**			**11.19%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($253,621)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(6.86%)
B. Actual employer payroll	112,543
C. Payment to transition liability/(surplus)	(7,720)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(8.84%)
B. Actual employer payroll	101,117
C. Payment to transition liability/(surplus)	(8,939)
4. Supplemental payment to transition liability	0
5. Interest	(18,957)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($255,919)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(255,919)	(253,621)
2. Combined valuation payroll	242,759	266,888
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(9.07%)**	**(7.83%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	242,759	266,888
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Halsey/2284
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Halsey/2284

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Halsey/2284

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Halsey -- #2284

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Halsey to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Halsey.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Halsey

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(6.10%)	(6.10%)	(6.10%)	(6.10%)	(6.10%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**14.83%**	**14.83%**	**19.50%**	**10.68%**	**13.41%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.42%**	**15.42%**	**20.09%**	**11.17%**	**13.90%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.31%	9.31%	14.78%	5.55%	8.26%
July 1, 2013 to June 30, 2015	14.83%	14.83%	19.50%	10.68%	13.41%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Halsey

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$370,219	$276,147
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(164,773)	(172,824)
Allocated pooled OPSRP UAL	3,962	2,662
Side account	0	0
Net unfunded pension actuarial accrued liability	209,408	105,985
Combined valuation payroll	232,236	214,394
Net pension UAL as a percentage of payroll	90%	49%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(6.10%)	(6.64%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$6,016	$7,714
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	190,329	19,832	10.34%	173,177	17,907
Total General Service		**190,329**	**19,832**		**173,177**	**17,907**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$190,329**	**$19,832**		**$173,177**	**$17,907**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($172,824)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(11.91%)
B. Actual employer payroll	107,966
C. Payment to transition liability/(surplus)	(12,588)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(6.76%)
B. Actual employer payroll	113,434
C. Payment to transition liability/(surplus)	(7,668)
4. Supplemental payment to transition liability	0
5. Interest	(12,205)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($164,773)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(164,773)	(172,824)
2. Combined valuation payroll	232,236	214,394
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(6.10%)**	**(6.64%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	232,236	214,394
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Happy Valley/2296
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Happy Valley/2296

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Happy Valley/2296

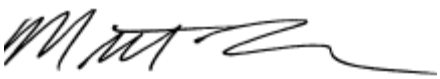
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Happy Valley -- #2296

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Happy Valley to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Happy Valley.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Happy Valley

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.13%	10.13%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**18.88%**	**18.88%**	**23.84%**	**15.02%**	**17.75%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.47%**	**19.47%**	**24.43%**	**15.51%**	**18.24%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.14%	14.14%	19.84%	10.61%	13.32%
July 1, 2013 to June 30, 2015	18.88%	18.88%	23.84%	15.02%	17.75%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Happy Valley

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$2,899,832	$2,563,063
Allocated pre-SLGRP pooled liability/(surplus)	(371,183)	(409,074)
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	31,037	24,707
Side account	0	0
Net unfunded pension actuarial accrued liability	2,559,686	2,178,696
Combined valuation payroll	1,819,044	1,989,903
Net pension UAL as a percentage of payroll	141%	109%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.00%	0.00%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$47,123	$71,594
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$59,302	$3,428	5.65%	$60,472	$3,417
Tier 2 General Service	10.42%	884,185	92,132	10.34%	941,488	97,350
Total General Service		**943,487**	**95,560**		**1,001,960**	**100,767**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$943,487**	**$95,560**		**$1,001,960**	**$100,767**
Employer normal cost rate						
General Service			**10.13%**			**10.06%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.13%**			**10.06%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	1,819,044	1,989,903
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,819,044	1,989,903
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Harrisburg/2268
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Harrisburg/2268

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Harrisburg/2268

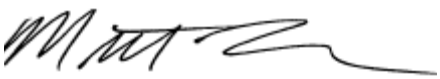
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Harrisburg -- #2268

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Harrisburg to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Harrisburg.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Harrisburg

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.18%	8.18%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.85%)	(0.85%)	(0.85%)	(0.85%)	(0.85%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.08%**	**16.08%**	**22.99%**	**14.17%**	**16.90%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.67%**	**16.67%**	**23.58%**	**14.66%**	**17.39%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.53%	11.53%	19.02%	9.79%	12.50%
July 1, 2013 to June 30, 2015	16.08%	16.08%	22.99%	14.17%	16.90%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Harrisburg

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,069,070	$836,758
Allocated pre-SLGRP pooled liability/(surplus)	(136,843)	(133,550)
Transition liability/(surplus)	(66,182)	(66,974)
Allocated pooled OPSRP UAL	11,442	8,066
Side account	0	0
Net unfunded pension actuarial accrued liability	877,487	644,300
Combined valuation payroll	670,620	649,640
Net pension UAL as a percentage of payroll	131%	99%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.85%)	(0.85%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$17,373	$23,373
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$206,275	$11,923	5.65%	$206,456	$11,665
Tier 2 General Service	10.42%	220,302	22,955	10.34%	216,575	22,394
Total General Service		**426,577**	**34,878**		**423,031**	**34,059**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$426,577**	**$34,878**		**$423,031**	**$34,059**
Employer normal cost rate						
General Service			**8.18%**			**8.05%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.18%**			**8.05%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($66,974)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.92%)
B. Actual employer payroll	315,516
C. Payment to transition liability/(surplus)	(2,903)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.82%)
B. Actual employer payroll	340,389
C. Payment to transition liability/(surplus)	(2,791)
4. Supplemental payment to transition liability	0
5. Interest	(4,902)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($66,182)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(66,182)	(66,974)
2. Combined valuation payroll	670,620	649,640
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.85%)**	**(0.85%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	670,620	649,640
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

City of Heppner/2193
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012
City of Heppner/2193

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012

City of Heppner/2193

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Heppner -- #2193

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Heppner to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Heppner.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Heppner

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(16.03%)	(16.03%)	(16.03%)	(16.03%)	(16.03%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**3.14%**	**3.14%**	**7.81%**	**0.00%**	**1.72%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**3.73%**	**3.73%**	**8.40%**	**0.49%**	**2.21%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	0.00%	0.00%	2.79%	0.00%	0.00%
July 1, 2013 to June 30, 2015	3.14%	3.14%	7.81%	0.00%	1.72%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Heppner

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$389,494	$334,778
Allocated pre-SLGRP pooled liability/(surplus)	(49,856)	(53,432)
Transition liability/(surplus)	(455,331)	(450,366)
Allocated pooled OPSRP UAL	4,169	3,227
Side account	0	0
Net unfunded pension actuarial accrued liability	(111,524)	(165,793)
Combined valuation payroll	244,327	259,914
Net pension UAL as a percentage of payroll	(46%)	(64%)
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(16.03%)	(14.28%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$6,329	$9,351
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	114,183	11,898	10.34%	109,287	11,300
Total General Service		**114,183**	**11,898**		**109,287**	**11,300**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$114,183**	**$11,898**		**$109,287**	**$11,300**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($450,366)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(10.03%)
B. Actual employer payroll	132,095
C. Payment to transition liability/(surplus)	(12,310)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(14.37%)
B. Actual employer payroll	133,759
C. Payment to transition liability/(surplus)	(16,453)
4. Supplemental payment to transition liability	0
5. Interest	(33,728)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($455,331)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(455,331)	(450,366)
2. Combined valuation payroll	244,327	259,914
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(16.03%)**	**(14.28%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	244,327	259,914
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Hermiston/2160
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Hermiston/2160

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Hermiston/2160

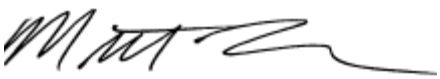
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Hermiston -- #2160

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Hermiston to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Hermiston.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Hermiston

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	11.11%	9.01%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(1.54%)	(1.54%)	(1.54%)	(1.54%)	(1.54%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**20.08%**	**17.98%**	**24.07%**	**15.24%**	**17.97%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.67%**	**18.57%**	**24.66%**	**15.73%**	**18.46%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.43%	13.21%	19.93%	10.83%	13.54%
July 1, 2013 to June 30, 2015	20.08%	17.98%	24.07%	15.24%	17.97%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Hermiston

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$7,332,412	$5,842,564
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(823,819)	(833,528)
Allocated pooled OPSRP UAL	78,480	56,320
Side account	0	0
Net unfunded pension actuarial accrued liability	6,587,073	5,065,356
Combined valuation payroll	4,599,570	4,536,033
Net pension UAL as a percentage of payroll	143%	112%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.54%)	(1.51%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$119,154	$163,199
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$686,246	$39,665	5.65%	$702,191	$39,674
Tier 2 General Service	10.42%	1,570,777	163,675	10.34%	1,693,810	175,140
Total General Service		**2,257,023**	**203,340**		**2,396,001**	**214,814**
Tier 1 Police & Fire	15.06%	361,141	54,388	14.74%	345,900	50,986
Tier 2 Police & Fire	15.12%	823,703	124,544	15.03%	781,106	117,400
Total Police & Fire		**1,184,844**	**178,932**		**1,127,006**	**168,386**
Total		**$3,441,867**	**$382,272**		**$3,523,007**	**$383,200**
Employer normal cost rate						
General Service			**9.01%**			**8.97%**
Police & Fire			**15.10%**			**14.94%**
Aggregate (Default)			**11.11%**			**10.88%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($833,528)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.48%)
B. Actual employer payroll	2,325,746
C. Payment to transition liability/(surplus)	(34,421)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.48%)
B. Actual employer payroll	2,453,471
C. Payment to transition liability/(surplus)	(36,312)
4. Supplemental payment to transition liability	0
5. Interest	(61,024)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($823,819)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(823,819)	(833,528)
2. Combined valuation payroll	4,599,570	4,536,033
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.54%)**	**(1.51%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	4,599,570	4,536,033
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Hines/2226
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Hines/2226

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Hines/2226

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Hines -- #2226

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Hines to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Hines.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Hines

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.50%	7.50%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(1.06%)	(1.06%)	(1.06%)	(1.06%)	(1.06%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.19%**	**15.19%**	**22.78%**	**13.96%**	**16.69%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.78%**	**15.78%**	**23.37%**	**14.45%**	**17.18%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.34%	10.01%	18.53%	9.72%	12.43%
July 1, 2013 to June 30, 2015	15.19%	15.19%	22.78%	13.96%	16.69%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Hines

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$511,318	$340,953
Allocated pre-SLGRP pooled liability/(surplus)	(65,449)	(54,417)
Transition liability/(surplus)	(39,577)	(39,484)
Allocated pooled OPSRP UAL	5,473	3,287
Side account	0	0
Net unfunded pension actuarial accrued liability	411,765	250,339
Combined valuation payroll	320,746	264,708
Net pension UAL as a percentage of payroll	128%	95%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(1.06%)	(1.23%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$8,309	$9,524
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$93,405	$5,399	5.65%	$83,029	$4,691
Tier 2 General Service	10.42%	55,219	5,754	10.34%	31,154	3,221
Total General Service		**148,624**	**11,153**		**114,183**	**7,912**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$148,624**	**$11,153**		**$114,183**	**$7,912**
Employer normal cost rate						
General Service			**7.50%**			**6.93%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.50%**			**6.93%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($39,484)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.83%)
B. Actual employer payroll	166,282
C. Payment to transition liability/(surplus)	(1,380)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.89%)
B. Actual employer payroll	163,986
C. Payment to transition liability/(surplus)	(1,459)
4. Supplemental payment to transition liability	0
5. Interest	(2,932)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($39,577)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(39,577)	(39,484)
2. Combined valuation payroll	320,746	264,708
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.06%)**	**(1.23%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	320,746	264,708
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Hood River/2138
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Hood River/2138

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Hood River/2138

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Hood River -- #2138

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Hood River to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Hood River.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Hood River

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	12.70%	7.56%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(1.10%)	(1.10%)	(1.10%)	(1.10%)	(1.10%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**20.35%**	**15.21%**	**22.75%**	**13.92%**	**16.65%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.94%**	**15.80%**	**23.34%**	**14.41%**	**17.14%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	16.02%	10.83%	18.92%	9.73%	12.44%
July 1, 2013 to June 30, 2015	20.35%	15.21%	22.75%	13.92%	16.65%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Hood River

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$5,417,202	$4,292,422
Allocated pre-SLGRP pooled liability/(surplus)	(693,410)	(685,086)
Transition liability/(surplus)	(433,415)	(429,566)
Allocated pooled OPSRP UAL	57,981	41,378
Side account	0	0
Net unfunded pension actuarial accrued liability	4,348,358	3,219,148
Combined valuation payroll	3,398,172	3,332,538
Net pension UAL as a percentage of payroll	128%	97%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(1.10%)	(1.06%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$88,031	$119,899
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$493,661	$28,534	5.65%	$516,784	$29,198
Tier 2 General Service	10.42%	307,970	32,090	10.34%	305,514	31,590
Total General Service		**801,631**	**60,624**		**822,298**	**60,788**
Tier 1 Police & Fire	15.06%	641,287	96,578	14.74%	665,267	98,060
Tier 2 Police & Fire	15.12%	1,073,407	162,299	15.03%	1,031,961	155,104
Total Police & Fire		**1,714,694**	**258,877**		**1,697,228**	**253,164**
Total		**$2,516,325**	**$319,501**		**$2,519,526**	**$313,952**
Employer normal cost rate						
General Service			**7.56%**			**7.39%**
Police & Fire			**15.10%**			**14.92%**
Aggregate (Default)			**12.70%**			**12.46%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($429,566)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.87%)
B. Actual employer payroll	1,582,648
C. Payment to transition liability/(surplus)	(13,769)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.88%)
B. Actual employer payroll	1,646,203
C. Payment to transition liability/(surplus)	(14,487)
4. Supplemental payment to transition liability	0
5. Interest	(32,105)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($433,415)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(433,415)	(429,566)
2. Combined valuation payroll	3,398,172	3,332,538
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.10%)**	**(1.06%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	3,398,172	3,332,538
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Hubbard/2196
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Hubbard/2196

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Hubbard/2196

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Hubbard -- #2196

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Hubbard to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Hubbard.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Hubbard

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.23%	6.60%	15.08%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(0.13%)	(0.13%)	(0.13%)	(0.13%)	(0.13%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**20.61%**	**16.98%**	**25.46%**	**16.65%**	**19.38%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**21.20%**	**17.57%**	**26.05%**	**17.14%**	**19.87%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	16.82%	13.62%	21.64%	12.18%	14.89%
July 1, 2013 to June 30, 2015	20.61%	16.98%	25.46%	16.65%	19.38%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Hubbard

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,137,062	$897,451
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(11,190)	(11,315)
Allocated pooled OPSRP UAL	12,170	8,651
Side account	0	0
Net unfunded pension actuarial accrued liability	1,138,042	894,787
Combined valuation payroll	713,271	696,760
Net pension UAL as a percentage of payroll	160%	128%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(0.13%)	(0.13%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$18,478	$25,068
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$193,369	$11,177	5.65%	$191,015	$10,792
Tier 2 General Service	10.42%	41,762	4,352	10.34%	41,858	4,328
Total General Service		**235,131**	**15,529**		**232,873**	**15,120**
Tier 1 Police & Fire	15.06%	119,020	17,924	14.74%	174,801	25,766
Tier 2 Police & Fire	15.12%	56,751	8,581	15.03%	53,161	7,990
Total Police & Fire		**175,771**	**26,505**		**227,962**	**33,756**
Total		**$410,902**	**$42,034**		**$460,835**	**$48,876**
Employer normal cost rate						
General Service			**6.60%**			**6.49%**
Police & Fire			**15.08%**			**14.81%**
Aggregate (Default)			**10.23%**			**10.61%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($11,315)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.13%)
B. Actual employer payroll	346,780
C. Payment to transition liability/(surplus)	(451)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.13%)
B. Actual employer payroll	386,905
C. Payment to transition liability/(surplus)	(503)
4. Supplemental payment to transition liability	0
5. Interest	(829)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($11,190)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(11,190)	(11,315)
2. Combined valuation payroll	713,271	696,760
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.13%)**	**(0.13%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	713,271	696,760
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

City of Huntington/2191
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Huntington/2191

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012

City of Huntington/2191

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Huntington -- #2191

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Huntington to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Huntington.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Huntington

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.15%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	37.38%	37.38%	37.38%	37.38%	37.38%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**55.28%**	**54.05%**	**61.22%**	**52.40%**	**55.13%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**55.87%**	**54.64%**	**61.81%**	**52.89%**	**55.62%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	55.46%	54.15%	61.93%	52.70%	55.41%
July 1, 2013 to June 30, 2015	55.28%	54.05%	61.22%	52.40%	55.13%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Huntington

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$138,484	$86,557
Allocated pre-SLGRP pooled liability/(surplus)	(17,726)	(13,815)
Transition liability/(surplus)	377,479	387,093
Allocated pooled OPSRP UAL	1,482	834
Side account	0	0
Net unfunded pension actuarial accrued liability	499,719	460,669
Combined valuation payroll	86,870	67,201
Net pension UAL as a percentage of payroll	575%	686%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	37.38%	47.47%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,250	$2,418
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$0**	**$0**		**$0**	**$0**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.15%**			**8.96%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$387,093
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	45.44%
B. Actual employer payroll	37,825
C. Payment to transition liability/(surplus)	17,188
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	42.09%
B. Actual employer payroll	48,436
C. Payment to transition liability/(surplus)	20,387
4. Supplemental payment to transition liability	0
5. Interest	27,961
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$377,479**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	377,479	387,093
2. Combined valuation payroll	86,870	67,201
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**37.38%**	**47.47%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	86,870	67,201
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Independence/2267
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Independence/2267

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Independence/2267

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Independence -- #2267

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Independence to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Independence.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Independence

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.39%	7.43%	15.08%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(2.57%)	(2.57%)	(2.57%)	(2.57%)	(2.57%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.57%**	**13.61%**	**21.26%**	**12.45%**	**15.18%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.16%**	**14.20%**	**21.85%**	**12.94%**	**15.67%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.13%	9.83%	17.90%	8.53%	11.24%
July 1, 2013 to June 30, 2015	16.57%	13.61%	21.26%	12.45%	15.18%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Independence

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$3,662,407	$3,298,611
Allocated pre-SLGRP pooled liability/(surplus)	(468,794)	(526,470)
Transition liability/(surplus)	(687,592)	(691,600)
Allocated pooled OPSRP UAL	39,199	31,798
Side account	0	0
Net unfunded pension actuarial accrued liability	2,545,220	2,112,339
Combined valuation payroll	2,297,402	2,560,966
Net pension UAL as a percentage of payroll	111%	82%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(2.57%)	(2.23%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$59,515	$92,140
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$541,086	$31,275	5.65%	$600,532	$33,930
Tier 2 General Service	10.42%	297,405	30,990	10.34%	454,317	46,976
Total General Service		**838,491**	**62,265**		**1,054,849**	**80,906**
Tier 1 Police & Fire	15.06%	369,819	55,695	14.74%	365,130	53,820
Tier 2 Police & Fire	15.12%	159,931	24,182	15.03%	152,692	22,950
Total Police & Fire		**529,750**	**79,877**		**517,822**	**76,770**
Total		**$1,368,241**	**$142,142**		**$1,572,671**	**$157,676**
Employer normal cost rate						
General Service			**7.43%**			**7.67%**
Police & Fire			**15.08%**			**14.83%**
Aggregate (Default)			**10.39%**			**10.03%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($691,600)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.72%)
B. Actual employer payroll	1,227,399
C. Payment to transition liability/(surplus)	(33,385)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.08%)
B. Actual employer payroll	1,036,339
C. Payment to transition liability/(surplus)	(21,556)
4. Supplemental payment to transition liability	0
5. Interest	(50,933)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($687,592)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(687,592)	(691,600)
2. Combined valuation payroll	2,297,402	2,560,966
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.57%)**	**(2.23%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	2,297,402	2,560,966
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Irrigon/2266
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Irrigon/2266

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Irrigon/2266

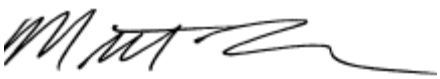
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Irrigon -- #2266

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Irrigon to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Irrigon.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Irrigon

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.69%	7.69%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(1.40%)	(1.40%)	(1.40%)	(1.40%)	(1.40%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.04%**	**15.04%**	**22.44%**	**13.62%**	**16.35%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.63%**	**15.63%**	**23.03%**	**14.11%**	**16.84%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.48%	10.48%	18.38%	9.15%	11.86%
July 1, 2013 to June 30, 2015	15.04%	15.04%	22.44%	13.62%	16.35%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Irrigon

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$674,465	$536,844
Allocated pre-SLGRP pooled liability/(surplus)	(86,333)	(85,682)
Transition liability/(surplus)	(68,626)	(70,793)
Allocated pooled OPSRP UAL	7,219	5,175
Side account	0	0
Net unfunded pension actuarial accrued liability	526,725	385,544
Combined valuation payroll	423,087	416,793
Net pension UAL as a percentage of payroll	125%	93%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(1.40%)	(1.40%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$10,960	$14,996
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$150,983	$8,727	5.65%	$155,492	$8,785
Tier 2 General Service	10.42%	105,378	10,980	10.34%	104,105	10,764
Total General Service		**256,361**	**19,707**		**259,597**	**19,549**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$256,361**	**$19,707**		**$259,597**	**$19,549**
Employer normal cost rate						
General Service			**7.69%**			**7.53%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.69%**			**7.53%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($70,793)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.10%)
B. Actual employer payroll	202,307
C. Payment to transition liability/(surplus)	(4,248)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.46%)
B. Actual employer payroll	205,576
C. Payment to transition liability/(surplus)	(3,002)
4. Supplemental payment to transition liability	0
5. Interest	(5,083)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($68,626)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(68,626)	(70,793)
2. Combined valuation payroll	423,087	416,793
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.40%)**	**(1.40%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	423,087	416,793
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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503 227 0634

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Jefferson/2211
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Jefferson/2211

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Jefferson/2211

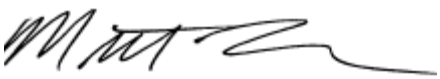
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Jefferson -- #2211

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Jefferson to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Jefferson.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Jefferson

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.19%	7.19%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(28.27%)	(28.27%)	(28.27%)	(28.27%)	(28.27%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%	0.00%	0.00%
July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%	0.00%	0.00%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Jefferson

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$549,890	$464,062
Allocated pre-SLGRP pooled liability/(surplus)	(70,387)	(74,066)
Transition liability/(surplus)	(1,133,573)	(1,080,743)
Allocated pooled OPSRP UAL	5,886	4,473
Side account	0	0
Net unfunded pension actuarial accrued liability	(648,184)	(686,274)
Combined valuation payroll	344,942	360,287
Net pension UAL as a percentage of payroll	(188%)	(190%)
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(28.27%)	(24.72%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$8,936	$12,963
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$191,968	$11,096	5.65%	$185,317	$10,470
Tier 2 General Service	10.42%	84,100	8,763	10.34%	80,771	8,352
Total General Service		**276,068**	**19,859**		**266,088**	**18,822**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$276,068**	**$19,859**		**$266,088**	**$18,822**
Employer normal cost rate						
General Service			**7.19%**			**7.07%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.19%**			**7.07%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,080,743)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(7.16%)
B. Actual employer payroll	167,555
C. Payment to transition liability/(surplus)	(12,542)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(11.43%)
B. Actual employer payroll	165,029
C. Payment to transition liability/(surplus)	(18,596)
4. Supplemental payment to transition liability	0
5. Interest	(83,968)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,133,573)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,133,573)	(1,080,743)
2. Combined valuation payroll	344,942	360,287
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(28.27%)**	**(24.72%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	344,942	360,287
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of John Day/2229
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of John Day/2229

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of John Day/2229

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of John Day -- #2229

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of John Day to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of John Day.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of John Day

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.32%	7.77%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(8.13%)	(8.13%)	(8.13%)	(8.13%)	(8.13%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**12.70%**	**10.15%**	**17.48%**	**8.65%**	**11.38%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.29%**	**10.74%**	**18.07%**	**9.14%**	**11.87%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	8.03%	5.72%	13.12%	3.96%	6.67%
July 1, 2013 to June 30, 2015	12.70%	10.15%	17.48%	8.65%	11.38%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of John Day

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,343,471	$1,034,086
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(796,510)	(800,947)
Allocated pooled OPSRP UAL	14,379	9,968
Side account	0	0
Net unfunded pension actuarial accrued liability	561,340	243,107
Combined valuation payroll	842,750	802,841
Net pension UAL as a percentage of payroll	67%	30%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(8.13%)	(8.22%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$21,832	$28,885
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$173,942	$10,054	5.65%	$172,499	$9,746
Tier 2 General Service	10.42%	131,032	13,654	10.34%	129,487	13,389
Total General Service		**304,974**	**23,708**		**301,986**	**23,135**
Tier 1 Police & Fire	15.06%	65,476	9,861	14.74%	67,279	9,917
Tier 2 Police & Fire	15.12%	96,851	14,644	15.03%	99,919	15,018
Total Police & Fire		**162,327**	**24,505**		**167,198**	**24,935**
Total		**$467,301**	**$48,213**		**$469,184**	**$48,070**
Employer normal cost rate						
General Service			**7.77%**			**7.66%**
Police & Fire			**15.10%**			**14.91%**
Aggregate (Default)			**10.32%**			**10.25%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($800,947)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(6.99%)
B. Actual employer payroll	405,941
C. Payment to transition liability/(surplus)	(28,375)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(8.35%)
B. Actual employer payroll	419,918
C. Payment to transition liability/(surplus)	(35,063)
4. Supplemental payment to transition liability	0
5. Interest	(59,001)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($796,510)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(796,510)	(800,947)
2. Combined valuation payroll	842,750	802,841
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(8.13%)**	**(8.22%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	842,750	802,841
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

City of Jordan Valley/2256
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Jordan Valley/2256

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Jordan Valley/2256

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No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Jordan Valley -- #2256

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Jordan Valley to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Jordan Valley.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Jordan Valley

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(25.81%)	(25.81%)	(25.81%)	(25.81%)	(25.81%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%	0.00%	0.00%
July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%	0.00%	0.00%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Jordan Valley

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$95,252	$71,727
Allocated pre-SLGRP pooled liability/(surplus)	(12,192)	(11,448)
Transition liability/(surplus)	(179,320)	(173,010)
Allocated pooled OPSRP UAL	1,019	691
Side account	0	0
Net unfunded pension actuarial accrued liability	(95,241)	(112,040)
Combined valuation payroll	59,751	55,687
Net pension UAL as a percentage of payroll	(159%)	(201%)
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(25.81%)	(25.60%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,548	$2,004
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	45,881	4,781	10.34%	42,189	4,362
Total General Service		**45,881**	**4,781**		**42,189**	**4,362**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$45,881**	**$4,781**		**$42,189**	**$4,362**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($173,010)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(10.14%)
B. Actual employer payroll	29,325
C. Payment to transition liability/(surplus)	(2,883)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(14.37%)
B. Actual employer payroll	30,204
C. Payment to transition liability/(surplus)	(4,090)
4. Supplemental payment to transition liability	0
5. Interest	(13,283)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($179,320)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(179,320)	(173,010)
2. Combined valuation payroll	59,751	55,687
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(25.81%)**	**(25.60%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	59,751	55,687
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Junction City/2199
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Junction City/2199

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Junction City/2199

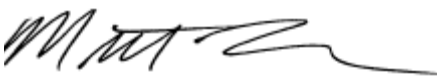
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Junction City -- #2199

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Junction City to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Junction City.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Junction City

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	11.34%	9.11%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.67%)	(0.67%)	(0.67%)	(0.67%)	(0.67%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.42%**	**17.19%**	**23.18%**	**14.35%**	**17.08%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.01%**	**17.78%**	**23.77%**	**14.84%**	**17.57%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.29%	12.32%	18.99%	9.91%	12.62%
July 1, 2013 to June 30, 2015	19.42%	17.19%	23.18%	14.35%	17.08%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Junction City

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$3,575,061	$2,625,432
Allocated pre-SLGRP pooled liability/(surplus)	(457,613)	(419,028)
Transition liability/(surplus)	(173,836)	(176,802)
Allocated pooled OPSRP UAL	38,264	25,308
Side account	0	0
Net unfunded pension actuarial accrued liability	2,981,876	2,054,910
Combined valuation payroll	2,242,610	2,038,325
Net pension UAL as a percentage of payroll	133%	101%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.67%)	(0.71%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$58,096	$73,336
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$272,574	$15,755	5.65%	$266,755	$15,072
Tier 2 General Service	10.42%	694,023	72,317	10.34%	720,879	74,539
Total General Service		**966,597**	**88,072**		**987,634**	**89,611**
Tier 1 Police & Fire	15.06%	159,274	23,987	14.74%	152,900	22,537
Tier 2 Police & Fire	15.12%	412,628	62,389	15.03%	375,553	56,446
Total Police & Fire		**571,902**	**86,376**		**528,453**	**78,983**
Total		**$1,538,499**	**$174,448**		**$1,516,087**	**$168,594**
Employer normal cost rate						
General Service			**9.11%**			**9.07%**
Police & Fire			**15.10%**			**14.95%**
Aggregate (Default)			**11.34%**			**11.12%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($176,802)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.76%)
B. Actual employer payroll	1,054,240
C. Payment to transition liability/(surplus)	(8,012)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.70%)
B. Actual employer payroll	1,118,840
C. Payment to transition liability/(surplus)	(7,831)
4. Supplemental payment to transition liability	0
5. Interest	(12,877)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($173,836)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(173,836)	(176,802)
2. Combined valuation payroll	2,242,610	2,038,325
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.67%)**	**(0.71%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	2,242,610	2,038,325
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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503 227 0634

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of King City/2287
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of King City/2287

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of King City/2287

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of King City -- #2287

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of King City to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of King City.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of King City

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.12%	7.92%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(5.98%)	(5.98%)	(5.98%)	(5.98%)	(5.98%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.65%**	**12.45%**	**19.65%**	**10.80%**	**13.53%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.24%**	**13.04%**	**20.24%**	**11.29%**	**14.02%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.67%	7.31%	14.67%	5.86%	8.57%
July 1, 2013 to June 30, 2015	19.65%	12.45%	19.65%	10.80%	13.53%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of King City

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$427,693	$340,973
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(186,665)	(191,415)
Allocated pooled OPSRP UAL	4,578	3,287
Side account	0	0
Net unfunded pension actuarial accrued liability	245,606	152,845
Combined valuation payroll	268,289	264,724
Net pension UAL as a percentage of payroll	92%	58%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.98%)	(5.96%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$6,950	$9,524
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	136,565	20,649	15.03%	138,589	20,830
Total Police & Fire		**136,565**	**20,649**		**138,589**	**20,830**
Total		**$136,565**	**$20,649**		**$138,589**	**$20,830**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**15.12%**			**15.03%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($191,415)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(6.63%)
B. Actual employer payroll	130,802
C. Payment to transition liability/(surplus)	(8,672)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(6.45%)
B. Actual employer payroll	153,562
C. Payment to transition liability/(surplus)	(9,905)
4. Supplemental payment to transition liability	0
5. Interest	(13,827)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($186,665)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(186,665)	(191,415)
2. Combined valuation payroll	268,289	264,724
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(5.98%)**	**(5.96%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	268,289	264,724
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

City of Klamath Falls/2148
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012
City of Klamath Falls/2148

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Klamath Falls/2148

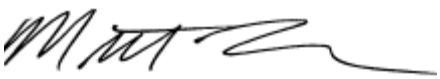
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Klamath Falls -- #2148

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Klamath Falls to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Klamath Falls.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Klamath Falls

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.53%	7.62%	15.11%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(6.43%)	(6.43%)	(6.43%)	(6.43%)	(6.43%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**12.85%**	**9.94%**	**17.43%**	**8.59%**	**11.32%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.44%**	**10.53%**	**18.02%**	**9.08%**	**11.81%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	8.82%	5.91%	13.75%	4.75%	7.46%
July 1, 2013 to June 30, 2015	12.85%	9.94%	17.43%	8.59%	11.32%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Klamath Falls

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$14,058,712	$11,989,246
Allocated pre-SLGRP pooled liability/(surplus)	(1,799,536)	(1,913,526)
Transition liability/(surplus)	(6,594,945)	(6,640,906)
Allocated pooled OPSRP UAL	150,472	115,573
Side account	0	0
Net unfunded pension actuarial accrued liability	5,814,703	3,550,387
Combined valuation payroll	8,818,930	9,308,176
Net pension UAL as a percentage of payroll	66%	38%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(6.43%)	(5.88%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$228,459	$334,893
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$2,269,709	$131,189	5.65%	$2,427,597	$137,159
Tier 2 General Service	10.42%	1,494,099	155,685	10.34%	1,525,012	157,686
Total General Service		**3,763,808**	**286,874**		**3,952,609**	**294,845**
Tier 1 Police & Fire	15.06%	421,413	63,465	14.74%	603,963	89,024
Tier 2 Police & Fire	15.12%	1,971,559	298,100	15.03%	1,871,122	281,230
Total Police & Fire		**2,392,972**	**361,565**		**2,475,085**	**370,254**
Total		**$6,156,780**	**$648,439**		**$6,427,694**	**$665,099**
Employer normal cost rate						
General Service			**7.62%**			**7.46%**
Police & Fire			**15.11%**			**14.96%**
Aggregate (Default)			**10.53%**			**10.35%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($6,640,906)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(5.97%)
B. Actual employer payroll	4,558,959
C. Payment to transition liability/(surplus)	(272,170)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.86%)
B. Actual employer payroll	4,476,201
C. Payment to transition liability/(surplus)	(262,305)
4. Supplemental payment to transition liability	0
5. Interest	(488,514)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($6,594,945)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(6,594,945)	(6,640,906)
2. Combined valuation payroll	8,818,930	9,308,176
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(6.43%)**	**(5.88%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	8,818,930	9,308,176
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of La Grande/2263
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of La Grande/2263

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of La Grande/2263

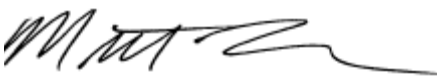
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of La Grande -- #2263

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of La Grande to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of La Grande.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of La Grande

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.09%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(4.58%)	(4.58%)	(4.58%)	(4.58%)	(4.58%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.26%**	**12.09%**	**19.26%**	**10.44%**	**13.17%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.85%**	**12.68%**	**19.85%**	**10.93%**	**13.66%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.81%	7.97%	15.81%	6.52%	9.23%
July 1, 2013 to June 30, 2015	19.26%	12.09%	19.26%	10.44%	13.17%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of La Grande

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$3,424,922	$2,807,404
Allocated pre-SLGRP pooled liability/(surplus)	(438,395)	(448,071)
Transition liability/(surplus)	(1,142,749)	(1,139,494)
Allocated pooled OPSRP UAL	36,657	27,062
Side account	0	0
Net unfunded pension actuarial accrued liability	1,880,435	1,246,901
Combined valuation payroll	2,148,429	2,179,604
Net pension UAL as a percentage of payroll	88%	57%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(4.58%)	(4.31%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$55,656	$78,419
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	856,811	129,036	14.74%	936,140	137,987
Tier 2 Police & Fire	15.12%	785,525	118,771	15.03%	779,151	117,106
Total Police & Fire		**1,642,336**	**247,807**		**1,715,291**	**255,093**
Total		**$1,642,336**	**$247,807**		**$1,715,291**	**$255,093**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.09%**			**14.87%**
Aggregate (Default)			**15.09%**			**14.87%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,139,494)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.76%)
B. Actual employer payroll	1,027,328
C. Payment to transition liability/(surplus)	(38,628)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.09%)
B. Actual employer payroll	1,045,623
C. Payment to transition liability/(surplus)	(42,765)
4. Supplemental payment to transition liability	0
5. Interest	(84,648)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,142,749)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	**December 31, 2010**
1. Total transition liability/(surplus)	(1,142,749)	(1,139,494)
2. Combined valuation payroll	2,148,429	2,179,604
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.58%)**	**(4.31%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	2,148,429	2,179,604
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Lafayette/2233
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Lafayette/2233

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Lafayette/2233

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Lafayette -- #2233

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Lafayette to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Lafayette.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Lafayette

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.17%	8.62%	15.06%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(5.36%)	(5.36%)	(5.36%)	(5.36%)	(5.36%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**14.32%**	**13.77%**	**20.21%**	**11.42%**	**14.15%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.91%**	**14.36%**	**20.80%**	**11.91%**	**14.64%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	8.96%	8.42%	14.31%	4.66%	7.37%
July 1, 2013 to June 30, 2015	14.32%	13.77%	20.21%	11.42%	14.15%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Lafayette

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$653,250	$477,468
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(255,398)	(273,110)
Allocated pooled OPSRP UAL	6,992	4,603
Side account	0	0
Net unfunded pension actuarial accrued liability	404,844	208,961
Combined valuation payroll	409,779	370,695
Net pension UAL as a percentage of payroll	99%	56%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.36%)	(6.07%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$10,616	$13,337
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$93,523	$5,406	5.65%	$74,696	$4,220
Tier 2 General Service	10.42%	147,094	15,327	10.34%	150,406	15,552
Total General Service		**240,617**	**20,733**		**225,102**	**19,772**
Tier 1 Police & Fire	15.06%	22,629	3,408	14.74%	20,326	2,996
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**22,629**	**3,408**		**20,326**	**2,996**
Total		**$263,246**	**$24,141**		**$245,428**	**$22,768**
Employer normal cost rate						
General Service			**8.62%**			**8.78%**
Police & Fire			**15.06%**			**14.74%**
Aggregate (Default)			**9.17%**			**9.28%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($273,110)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(10.66%)
B. Actual employer payroll	197,350
C. Payment to transition liability/(surplus)	(20,944)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(7.65%)
B. Actual employer payroll	205,040
C. Payment to transition liability/(surplus)	(15,686)
4. Supplemental payment to transition liability	0
5. Interest	(18,918)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($255,398)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(255,398)	(273,110)
2. Combined valuation payroll	409,779	370,695
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(5.36%)**	**(6.07%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	409,779	370,695
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Lake Oswego/2120
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Lake Oswego/2120

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Lake Oswego/2120

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Lake Oswego -- #2120

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Lake Oswego to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Lake Oswego.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Lake Oswego

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.85%	7.69%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(0.99%)	(0.99%)	(0.99%)	(0.99%)	(0.99%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**20.37%**	**17.21%**	**24.61%**	**15.79%**	**18.52%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.96%**	**17.80%**	**25.20%**	**16.28%**	**19.01%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.54%	12.42%	20.56%	11.28%	13.99%
July 1, 2013 to June 30, 2015	20.37%	17.21%	24.61%	15.79%	18.52%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Lake Oswego

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$38,981,575	$30,416,919
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(2,812,540)	(2,844,732)
Allocated pooled OPSRP UAL	417,224	293,209
Side account	0	0
Net unfunded pension actuarial accrued liability	36,586,259	27,865,396
Combined valuation payroll	24,452,864	23,614,999
Net pension UAL as a percentage of payroll	150%	118%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(0.99%)	(0.99%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$633,464	$849,630
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$6,000,196	$346,811	5.65%	$6,516,929	$368,206
Tier 2 General Service	10.42%	4,196,208	437,245	10.34%	4,074,573	421,311
Total General Service		**10,196,404**	**784,056**		**10,591,502**	**789,517**
Tier 1 Police & Fire	15.06%	4,232,769	637,455	14.74%	4,223,183	622,497
Tier 2 Police & Fire	15.12%	3,362,100	508,350	15.03%	3,283,043	493,441
Total Police & Fire		**7,594,869**	**1,145,805**		**7,506,226**	**1,115,938**
Total		**$17,791,273**	**$1,929,861**		**$18,097,728**	**$1,905,455**
Employer normal cost rate						
General Service			**7.69%**			**7.45%**
Police & Fire			**15.09%**			**14.87%**
Aggregate (Default)			**10.85%**			**10.53%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($2,844,732)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.01%)
B. Actual employer payroll	11,600,350
C. Payment to transition liability/(surplus)	(117,164)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.03%)
B. Actual employer payroll	11,977,163
C. Payment to transition liability/(surplus)	(123,364)
4. Supplemental payment to transition liability	0
5. Interest	(208,336)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($2,812,540)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(2,812,540)	(2,844,732)
2. Combined valuation payroll	24,452,864	23,614,999
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.99%)**	**(0.99%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	24,452,864	23,614,999
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Lakeside/2244
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Lakeside/2244

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Lakeside/2244

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Lakeside -- #2244

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Lakeside to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Lakeside.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Lakeside

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.50%	8.50%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(5.19%)	(5.19%)	(5.19%)	(5.19%)	(5.19%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**12.06%**	**12.06%**	**18.65%**	**9.83%**	**12.56%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**12.65%**	**12.65%**	**19.24%**	**10.32%**	**13.05%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	4.43%	4.43%	11.62%	2.39%	5.10%
July 1, 2013 to June 30, 2015	12.06%	12.06%	18.65%	9.83%	12.56%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Lakeside

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$795,059	$552,903
Allocated pre-SLGRP pooled liability/(surplus)	(101,769)	(88,245)
Transition liability/(surplus)	(301,183)	(312,024)
Allocated pooled OPSRP UAL	8,510	5,330
Side account	0	0
Net unfunded pension actuarial accrued liability	400,617	157,964
Combined valuation payroll	498,735	429,261
Net pension UAL as a percentage of payroll	80%	37%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(5.19%)	(5.99%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$12,920	$15,444
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$65,184	$3,768	5.65%	$64,784	$3,660
Tier 2 General Service	10.42%	92,670	9,656	10.34%	90,879	9,397
Total General Service		**157,854**	**13,424**		**155,663**	**13,057**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$157,854**	**$13,424**		**$155,663**	**$13,057**
Employer normal cost rate						
General Service			**8.50%**			**8.39%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.50%**			**8.39%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($312,024)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(5.85%)
B. Actual employer payroll	229,111
C. Payment to transition liability/(surplus)	(13,403)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(8.22%)
B. Actual employer payroll	240,243
C. Payment to transition liability/(surplus)	(19,748)
4. Supplemental payment to transition liability	0
5. Interest	(22,310)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($301,183)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(301,183)	(312,024)
2. Combined valuation payroll	498,735	429,261
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(5.19%)**	**(5.99%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	498,735	429,261
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

City of Lebanon/2140
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012
City of Lebanon/2140

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012

City of Lebanon/2140

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Lebanon -- #2140

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Lebanon to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Lebanon.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Lebanon

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.11%	7.53%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(5.60%)	(5.60%)	(5.60%)	(5.60%)	(5.60%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.02%**	**12.44%**	**20.01%**	**11.18%**	**13.91%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.61%**	**13.03%**	**20.60%**	**11.67%**	**14.40%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.51%	8.06%	15.89%	6.72%	9.43%
July 1, 2013 to June 30, 2015	15.02%	12.44%	20.01%	11.18%	13.91%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Lebanon

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$8,150,628	$6,744,492
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(3,329,697)	(3,330,787)
Allocated pooled OPSRP UAL	87,237	65,015
Side account	0	0
Net unfunded pension actuarial accrued liability	4,908,168	3,478,720
Combined valuation payroll	5,112,831	5,236,269
Net pension UAL as a percentage of payroll	96%	66%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.60%)	(5.24%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$132,450	$188,393
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$1,469,199	$84,920	5.65%	$1,551,218	$87,644
Tier 2 General Service	10.42%	891,038	92,846	10.34%	912,058	94,307
Total General Service		**2,360,237**	**177,766**		**2,463,276**	**181,951**
Tier 1 Police & Fire	15.06%	406,031	61,148	14.74%	530,532	78,200
Tier 2 Police & Fire	15.12%	814,686	123,181	15.03%	754,548	113,409
Total Police & Fire		**1,220,717**	**184,329**		**1,285,080**	**191,609**
Total		**$3,580,954**	**$362,095**		**$3,748,356**	**$373,560**
Employer normal cost rate						
General Service			**7.53%**			**7.39%**
Police & Fire			**15.10%**			**14.91%**
Aggregate (Default)			**10.11%**			**9.97%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($3,330,787)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(4.23%)
B. Actual employer payroll	2,560,445
C. Payment to transition liability/(surplus)	(108,307)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.59%)
B. Actual employer payroll	2,494,214
C. Payment to transition liability/(surplus)	(139,427)
4. Supplemental payment to transition liability	0
5. Interest	(246,644)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($3,329,697)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(3,329,697)	(3,330,787)
2. Combined valuation payroll	5,112,831	5,236,269
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(5.60%)**	**(5.24%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	5,112,831	5,236,269
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Lincoln City/2298
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Lincoln City/2298

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Lincoln City/2298

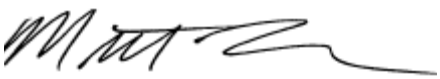
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Lincoln City -- #2298

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Lincoln City to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Lincoln City.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Lincoln City

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.77%	7.91%	15.08%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(5.90%)	(5.90%)	(5.90%)	(5.90%)	(5.90%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**14.38%**	**12.52%**	**19.69%**	**10.88%**	**13.61%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.97%**	**13.11%**	**20.28%**	**11.37%**	**14.10%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.02%	7.93%	15.66%	6.37%	9.08%
July 1, 2013 to June 30, 2015	14.38%	12.52%	19.69%	10.88%	13.61%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Lincoln City

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$10,841,792	$9,154,859
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(4,662,489)	(4,801,720)
Allocated pooled OPSRP UAL	116,041	88,250
Side account	0	0
Net unfunded pension actuarial accrued liability	6,295,344	4,441,389
Combined valuation payroll	6,800,979	7,107,623
Net pension UAL as a percentage of payroll	93%	62%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.90%)	(5.57%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$176,183	$255,721
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$1,526,091	$88,208	5.65%	$1,570,677	$88,743
Tier 2 General Service	10.42%	1,293,867	134,821	10.34%	1,304,507	134,886
Total General Service		**2,819,958**	**223,029**		**2,875,184**	**223,629**
Tier 1 Police & Fire	15.06%	581,941	87,640	14.74%	638,909	94,175
Tier 2 Police & Fire	15.12%	406,035	61,392	15.03%	508,070	76,363
Total Police & Fire		**987,976**	**149,032**		**1,146,979**	**170,538**
Total		**$3,807,934**	**$372,061**		**$4,022,163**	**$394,167**
Employer normal cost rate						
General Service			**7.91%**			**7.78%**
Police & Fire			**15.08%**			**14.87%**
Aggregate (Default)			**9.77%**			**9.80%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($4,801,720)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(7.31%)
B. Actual employer payroll	3,663,954
C. Payment to transition liability/(surplus)	(267,835)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.94%)
B. Actual employer payroll	3,649,253
C. Payment to transition liability/(surplus)	(216,766)
4. Supplemental payment to transition liability	0
5. Interest	(345,370)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($4,662,489)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(4,662,489)	(4,801,720)
2. Combined valuation payroll	6,800,979	7,107,623
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(5.90%)**	**(5.57%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	6,800,979	7,107,623
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

City of Lowell/2293
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Lowell/2293

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Lowell/2293

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Lowell -- #2293

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Lowell to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Lowell.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Lowell

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.74%	7.74%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(2.64%)	(2.64%)	(2.64%)	(2.64%)	(2.64%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.61%**	**15.61%**	**22.96%**	**14.14%**	**16.87%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.20%**	**16.20%**	**23.55%**	**14.63%**	**17.36%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.56%	10.56%	18.34%	9.11%	11.82%
July 1, 2013 to June 30, 2015	15.61%	15.61%	22.96%	14.14%	16.87%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Lowell

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$403,016	$308,877
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(77,656)	(85,444)
Allocated pooled OPSRP UAL	4,314	2,977
Side account	0	0
Net unfunded pension actuarial accrued liability	329,674	226,410
Combined valuation payroll	252,809	239,805
Net pension UAL as a percentage of payroll	130%	94%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.64%)	(2.94%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$6,549	$8,628
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$119,266	$6,894	5.65%	$112,139	$6,336
Tier 2 General Service	10.42%	87,468	9,114	10.34%	85,703	8,862
Total General Service		**206,734**	**16,008**		**197,842**	**15,198**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$206,734**	**$16,008**		**$197,842**	**$15,198**
Employer normal cost rate						
General Service			**7.74%**			**7.68%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.74%**			**7.68%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($85,444)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(7.98%)
B. Actual employer payroll	120,246
C. Payment to transition liability/(surplus)	(9,596)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(3.20%)
B. Actual employer payroll	123,273
C. Payment to transition liability/(surplus)	(3,944)
4. Supplemental payment to transition liability	0
5. Interest	(5,752)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($77,656)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(77,656)	(85,444)
2. Combined valuation payroll	252,809	239,805
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.64%)**	**(2.94%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	252,809	239,805
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Lyons/2270
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Lyons/2270

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Lyons/2270

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Lyons -- #2270

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Lyons to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Lyons.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Lyons

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.68%	8.68%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(1.93%)	(1.93%)	(1.93%)	(1.93%)	(1.93%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.26%**	**17.26%**	**23.67%**	**14.85%**	**17.58%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.85%**	**17.85%**	**24.26%**	**15.34%**	**18.07%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.13%	10.13%	17.13%	7.90%	10.61%
July 1, 2013 to June 30, 2015	17.26%	17.26%	23.67%	14.85%	17.58%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Lyons

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$170,547	$104,380
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(23,962)	(31,753)
Allocated pooled OPSRP UAL	1,825	1,006
Side account	0	0
Net unfunded pension actuarial accrued liability	148,410	73,633
Combined valuation payroll	106,983	81,038
Net pension UAL as a percentage of payroll	139%	91%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.93%)	(3.23%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,771	$2,916
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$31,011	$1,792	5.65%	$30,269	$1,710
Tier 2 General Service	10.42%	51,613	5,378	10.34%	50,769	5,250
Total General Service		**82,624**	**7,170**		**81,038**	**6,960**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$82,624**	**$7,170**		**$81,038**	**$6,960**
Employer normal cost rate						
General Service			**8.68%**			**8.59%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.68%**			**8.59%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($31,753)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(10.51%)
B. Actual employer payroll	61,873
C. Payment to transition liability/(surplus)	(6,505)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.41%)
B. Actual employer payroll	69,408
C. Payment to transition liability/(surplus)	(3,061)
4. Supplemental payment to transition liability	0
5. Interest	(1,775)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($23,962)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(23,962)	(31,753)
2. Combined valuation payroll	106,983	81,038
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.93%)**	**(3.23%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	106,983	81,038
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Madras/2170
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Madras/2170

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Madras/2170

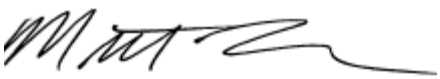
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Madras -- #2170

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Madras to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Madras.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Madras

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.51%	7.62%	15.08%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(3.21%)	(3.21%)	(3.21%)	(3.21%)	(3.21%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.81%**	**14.92%**	**22.38%**	**13.57%**	**16.30%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.40%**	**15.51%**	**22.97%**	**14.06%**	**16.79%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.27%	11.34%	19.13%	9.72%	12.43%
July 1, 2013 to June 30, 2015	17.81%	14.92%	22.38%	13.57%	16.30%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Madras

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$2,578,069	$2,553,407
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(603,984)	(607,605)
Allocated pooled OPSRP UAL	27,593	24,614
Side account	0	0
Net unfunded pension actuarial accrued liability	2,001,678	1,970,416
Combined valuation payroll	1,617,204	1,982,407
Net pension UAL as a percentage of payroll	124%	99%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.21%)	(2.53%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$41,894	$71,324
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$344,980	$19,940	5.65%	$344,339	$19,455
Tier 2 General Service	10.42%	226,563	23,608	10.34%	351,706	36,366
Total General Service		**571,543**	**43,548**		**696,045**	**55,821**
Tier 1 Police & Fire	15.06%	234,654	35,339	14.74%	305,322	45,004
Tier 2 Police & Fire	15.12%	126,450	19,119	15.03%	121,029	18,191
Total Police & Fire		**361,104**	**54,458**		**426,351**	**63,195**
Total		**$932,647**	**$98,006**		**$1,122,396**	**$119,016**
Employer normal cost rate						
General Service			**7.62%**			**8.02%**
Police & Fire			**15.08%**			**14.82%**
Aggregate (Default)			**10.51%**			**10.60%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($607,605)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.91%)
B. Actual employer payroll	885,061
C. Payment to transition liability/(surplus)	(25,755)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.59%)
B. Actual employer payroll	872,789
C. Payment to transition liability/(surplus)	(22,606)
4. Supplemental payment to transition liability	0
5. Interest	(44,740)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($603,984)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(603,984)	(607,605)
2. Combined valuation payroll	1,617,204	1,982,407
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.21%)**	**(2.53%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,617,204	1,982,407
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

City of Malin/2247
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012
City of Malin/2247

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012

City of Malin/2247

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Malin -- #2247

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Malin to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Malin.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Malin

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.30%	8.04%	15.07%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(3.60%)	(3.60%)	(3.60%)	(3.60%)	(3.60%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**13.45%**	**13.19%**	**20.22%**	**11.42%**	**14.15%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.04%**	**13.78%**	**20.81%**	**11.91%**	**14.64%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	8.86%	8.86%	16.52%	7.29%	10.00%
July 1, 2013 to June 30, 2015	13.45%	13.19%	20.22%	11.42%	14.15%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Malin

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$147,394	$116,266
Allocated pre-SLGRP pooled liability/(surplus)	(18,867)	(18,556)
Transition liability/(surplus)	(38,672)	(38,216)
Allocated pooled OPSRP UAL	1,578	1,121
Side account	0	0
Net unfunded pension actuarial accrued liability	91,433	60,615
Combined valuation payroll	92,459	90,266
Net pension UAL as a percentage of payroll	99%	67%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(3.60%)	(3.49%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,395	$3,248
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$45,691	$2,641	5.65%	$44,791	$2,531
Tier 2 General Service	10.42%	43,244	4,506	10.34%	42,881	4,434
Total General Service		**88,935**	**7,147**		**87,672**	**6,965**
Tier 1 Police & Fire	15.06%	3,524	531	14.74%	2,594	382
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**3,524**	**531**		**2,594**	**382**
Total		**$92,459**	**$7,678**		**$90,266**	**$7,347**
Employer normal cost rate						
General Service			**8.04%**			**7.94%**
Police & Fire			**15.07%**			**14.73%**
Aggregate (Default)			**8.30%**			**8.14%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($38,216)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.28%)
B. Actual employer payroll	51,793
C. Payment to transition liability/(surplus)	(1,181)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(3.32%)
B. Actual employer payroll	36,999
C. Payment to transition liability/(surplus)	(1,228)
4. Supplemental payment to transition liability	0
5. Interest	(2,865)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($38,672)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(38,672)	(38,216)
2. Combined valuation payroll	92,459	90,266
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.60%)**	**(3.49%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	92,459	90,266
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Manzanita/2281
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
City of Manzanita/2281

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Manzanita/2281

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Manzanita -- #2281

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Manzanita to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Manzanita.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Manzanita

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.15%	6.78%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(1.05%)	(1.05%)	(1.05%)	(1.05%)	(1.05%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.85%**	**14.48%**	**22.82%**	**13.97%**	**16.70%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.44%**	**15.07%**	**23.41%**	**14.46%**	**17.19%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	13.02%	9.83%	18.16%	9.35%	12.06%
July 1, 2013 to June 30, 2015	17.85%	14.48%	22.82%	13.97%	16.70%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Manzanita

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$905,778	$699,270
Allocated pre-SLGRP pooled liability/(surplus)	(115,941)	(111,606)
Transition liability/(surplus)	(69,047)	(70,088)
Allocated pooled OPSRP UAL	9,695	6,741
Side account	0	0
Net unfunded pension actuarial accrued liability	730,485	524,317
Combined valuation payroll	568,188	542,897
Net pension UAL as a percentage of payroll	129%	97%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(1.05%)	(1.06%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$14,719	$19,533
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$138,479	$8,004	5.65%	$139,168	$7,863
Tier 2 General Service	10.42%	37,814	3,940	10.34%	36,968	3,822
Total General Service		**176,293**	**11,944**		**176,136**	**11,685**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	119,931	18,134	15.03%	125,023	18,791
Total Police & Fire		**119,931**	**18,134**		**125,023**	**18,791**
Total		**$296,224**	**$30,078**		**$301,159**	**$30,476**
Employer normal cost rate						
General Service			**6.78%**			**6.63%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**10.15%**			**10.12%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($70,088)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.03%)
B. Actual employer payroll	274,617
C. Payment to transition liability/(surplus)	(2,829)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.26%)
B. Actual employer payroll	263,986
C. Payment to transition liability/(surplus)	(3,327)
4. Supplemental payment to transition liability	0
5. Interest	(5,115)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($69,047)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(69,047)	(70,088)
2. Combined valuation payroll	568,188	542,897
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.05%)**	**(1.06%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	568,188	542,897
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of McMinnville/2117
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of McMinnville/2117

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of McMinnville/2117

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of McMinnville -- #2117

SEPTEMBER 2012

Secondary Employers

2135 McMinnville Water & Light Department

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of McMinnville to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of McMinnville.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of McMinnville

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	7.70%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	2.92%	2.92%	2.92%	2.92%	2.92%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**22.09%**	**19.37%**	**26.76%**	**17.94%**	**20.67%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**22.68%**	**19.96%**	**27.35%**	**18.43%**	**21.16%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	17.53%	14.77%	22.75%	13.56%	16.27%
July 1, 2013 to June 30, 2015	22.09%	19.37%	26.76%	17.94%	20.67%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of McMinnville

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$25,376,829	$20,511,910
Allocated pre-SLGRP pooled liability/(surplus)	(3,248,272)	(3,273,772)
Transition liability/(surplus)	5,405,761	5,510,191
Allocated pooled OPSRP UAL	271,611	197,728
Side account	0	0
Net unfunded pension actuarial accrued liability	27,805,929	22,946,057
Combined valuation payroll	15,918,704	15,924,977
Net pension UAL as a percentage of payroll	175%	144%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	2.92%	2.85%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$412,382	$572,955
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$3,605,275	$208,385	5.65%	$3,789,842	$214,126
Tier 2 General Service	10.42%	2,554,103	266,138	10.34%	2,613,350	270,220
Total General Service		**6,159,378**	**474,523**		**6,403,192**	**484,346**
Tier 1 Police & Fire	15.06%	1,692,745	254,927	14.74%	1,670,531	246,236
Tier 2 Police & Fire	15.12%	1,888,766	285,581	15.03%	1,869,751	281,024
Total Police & Fire		**3,581,511**	**540,508**		**3,540,282**	**527,260**
Total		**$9,740,889**	**$1,015,031**		**$9,943,474**	**$1,011,606**
Employer normal cost rate						
General Service			**7.70%**			**7.56%**
Police & Fire			**15.09%**			**14.89%**
Aggregate (Default)			**10.42%**			**10.17%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$5,510,191
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	3.31%
B. Actual employer payroll	7,961,481
C. Payment to transition liability/(surplus)	263,525
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	2.95%
B. Actual employer payroll	8,180,778
C. Payment to transition liability/(surplus)	241,332
4. Supplemental payment to transition liability	0
5. Interest	400,427
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$5,405,761**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	5,405,761	5,510,191
2. Combined valuation payroll	15,918,704	15,924,977
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**2.92%**	**2.85%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	15,918,704	15,924,977
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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503 227 0634

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Medford/2102
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012
City of Medford/2102

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Medford/2102

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Medford -- #2102

SEPTEMBER 2012

Secondary Employers

2134 Medford Water Commission

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Medford to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Medford.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Medford

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	11.54%	8.00%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(5.98%)	(5.98%)	(5.98%)	(5.98%)	(5.98%)
Net pension contribution rate	**16.07%**	**12.53%**	**19.62%**	**10.80%**	**13.53%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.66%**	**13.12%**	**20.21%**	**11.29%**	**14.02%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.84%	8.18%	15.88%	6.56%	9.27%
July 1, 2013 to June 30, 2015	16.07%	12.53%	19.62%	10.80%	13.53%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Medford

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$53,870,174	$44,098,310
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	576,578	425,094
Side account	23,491,104	25,130,816
Net unfunded pension actuarial accrued liability	30,955,648	19,392,588
Combined valuation payroll	33,792,376	34,236,917
Net pension UAL as a percentage of payroll	92%	57%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	0.00%	0.00%
Side account rate relief	(5.98%)	(6.05%)
Allocated pooled RHIA UAL	$875,409	$1,231,790
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$6,357,446	$367,460	5.65%	$6,704,491	$378,804
Tier 2 General Service	10.42%	5,817,317	606,164	10.34%	6,339,568	655,511
Total General Service		**12,174,763**	**973,624**		**13,044,059**	**1,034,315**
Tier 1 Police & Fire	15.06%	6,637,074	999,543	14.74%	7,288,135	1,074,271
Tier 2 Police & Fire	15.12%	5,503,286	832,097	15.03%	5,115,253	768,823
Total Police & Fire		**12,140,360**	**1,831,640**		**12,403,388**	**1,843,094**
Total		**$24,315,123**	**$2,805,264**		**$25,447,447**	**$2,877,409**
Employer normal cost rate						
General Service			**8.00%**			**7.93%**
Police & Fire			**15.09%**			**14.86%**
Aggregate (Default)			**11.54%**			**11.31%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	33,792,376	34,236,917
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$25,130,816**	**$25,130,816**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(2,313,669)	(2,313,669)
5. Side account earnings during 2011		674,957	674,957
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$23,491,104**	**$23,491,104**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$23,491,104	$25,130,816
Side Account 2	0	0
Side Account 3	0	0
Total	**$23,491,104**	**$25,130,816**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$23,491,104	$25,130,816
2. Combined valuation payroll	33,792,376	34,236,917
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(5.98%)	(6.05%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Mill City/2207
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Mill City/2207

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Mill City/2207

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Mill City -- #2207

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Mill City to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Mill City.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Mill City

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.94%	7.94%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.17%	0.17%	0.17%	0.17%	0.17%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.86%**	**16.86%**	**24.01%**	**15.19%**	**17.92%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.45%**	**17.45%**	**24.60%**	**15.68%**	**18.41%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.70%	12.70%	19.98%	10.75%	13.46%
July 1, 2013 to June 30, 2015	16.86%	16.86%	24.01%	15.19%	17.92%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Mill City

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$335,507	$231,882
Allocated pre-SLGRP pooled liability/(surplus)	(42,945)	(37,009)
Transition liability/(surplus)	4,276	4,308
Allocated pooled OPSRP UAL	3,591	2,235
Side account	0	0
Net unfunded pension actuarial accrued liability	300,429	201,416
Combined valuation payroll	210,461	180,028
Net pension UAL as a percentage of payroll	143%	112%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.17%	0.20%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$5,452	$6,477
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$64,983	$3,756	5.65%	$61,574	$3,479
Tier 2 General Service	10.42%	56,817	5,920	10.34%	55,520	5,741
Total General Service		**121,800**	**9,676**		**117,094**	**9,220**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$121,800**	**$9,676**		**$117,094**	**$9,220**
Employer normal cost rate						
General Service			**7.94%**			**7.87%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.94%**			**7.87%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$4,308
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.18%
B. Actual employer payroll	100,530
C. Payment to transition liability/(surplus)	181
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.14%
B. Actual employer payroll	119,409
C. Payment to transition liability/(surplus)	168
4. Supplemental payment to transition liability	0
5. Interest	317
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$4,276**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	4,276	4,308
2. Combined valuation payroll	210,461	180,028
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.17%**	**0.20%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	210,461	180,028
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

City of Millersburg/2286
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Millersburg/2286

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Millersburg/2286

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Millersburg -- #2286

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Millersburg to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Millersburg.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Millersburg

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.93%	7.93%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(1.78%)	(1.78%)	(1.78%)	(1.78%)	(1.78%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.66%**	**16.66%**	**23.82%**	**15.00%**	**17.73%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.25%**	**17.25%**	**24.41%**	**15.49%**	**18.22%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.17%	12.17%	19.26%	10.03%	12.74%
July 1, 2013 to June 30, 2015	16.66%	16.66%	23.82%	15.00%	17.73%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Millersburg

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$294,174	$223,881
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(38,228)	(45,851)
Allocated pooled OPSRP UAL	3,149	2,158
Side account	0	0
Net unfunded pension actuarial accrued liability	259,095	180,188
Combined valuation payroll	184,533	173,816
Net pension UAL as a percentage of payroll	140%	104%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.78%)	(2.17%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$4,780	$6,254
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$61,113	$3,532	5.65%	$59,713	$3,374
Tier 2 General Service	10.42%	52,976	5,520	10.34%	54,436	5,629
Total General Service		**114,089**	**9,052**		**114,149**	**9,003**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$114,089**	**$9,052**		**$114,149**	**$9,003**
Employer normal cost rate						
General Service			**7.93%**			**7.89%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.93%**			**7.89%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($45,851)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(9.87%)
B. Actual employer payroll	84,711
C. Payment to transition liability/(surplus)	(8,361)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.28%)
B. Actual employer payroll	91,825
C. Payment to transition liability/(surplus)	(2,094)
4. Supplemental payment to transition liability	0
5. Interest	(2,832)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($38,228)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(38,228)	(45,851)
2. Combined valuation payroll	184,533	173,816
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.78%)**	**(2.17%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	184,533	173,816
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Milton-Freewater/2158
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
City of Milton-Freewater/2158

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012

City of Milton-Freewater/2158

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Milton-Freewater -- #2158

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Milton-Freewater to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Milton-Freewater.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Milton-Freewater

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.34%	7.49%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	1.53%	1.53%	1.53%	1.53%	1.53%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**18.62%**	**17.77%**	**25.38%**	**16.55%**	**19.28%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.21%**	**18.36%**	**25.97%**	**17.04%**	**19.77%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.54%	13.30%	21.33%	12.21%	14.92%
July 1, 2013 to June 30, 2015	18.62%	17.77%	25.38%	16.55%	19.28%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Milton-Freewater

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$6,146,574	$4,820,114
Allocated pre-SLGRP pooled liability/(surplus)	(786,771)	(769,307)
Transition liability/(surplus)	686,935	698,643
Allocated pooled OPSRP UAL	65,787	46,464
Side account	0	0
Net unfunded pension actuarial accrued liability	6,112,525	4,795,914
Combined valuation payroll	3,855,702	3,742,226
Net pension UAL as a percentage of payroll	159%	128%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	1.53%	1.54%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$99,884	$134,639
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$1,466,610	$84,770	5.65%	$1,456,021	$82,265
Tier 2 General Service	10.42%	854,108	88,998	10.34%	778,158	80,462
Total General Service		**2,320,718**	**173,768**		**2,234,179**	**162,727**
Tier 1 Police & Fire	15.06%	99,233	14,944	14.74%	95,430	14,066
Tier 2 Police & Fire	15.12%	192,325	29,080	15.03%	248,097	37,289
Total Police & Fire		**291,558**	**44,024**		**343,527**	**51,355**
Total		**$2,612,276**	**$217,792**		**$2,577,706**	**$214,082**
Employer normal cost rate						
General Service			**7.49%**			**7.28%**
Police & Fire			**15.10%**			**14.95%**
Aggregate (Default)			**8.34%**			**8.31%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$698,643
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	1.55%
B. Actual employer payroll	1,931,261
C. Payment to transition liability/(surplus)	29,935
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	1.60%
B. Actual employer payroll	2,041,117
C. Payment to transition liability/(surplus)	32,657
4. Supplemental payment to transition liability	0
5. Interest	50,884
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$686,935**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	686,935	698,643
2. Combined valuation payroll	3,855,702	3,742,226
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**1.53%**	**1.54%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	3,855,702	3,742,226
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Milwaukie/2163
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Milwaukie/2163

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Milwaukie/2163

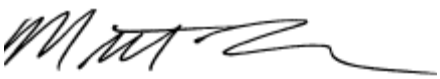
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Milwaukie -- #2163

SEPTEMBER 2012

Secondary Employers

2560 Wichita Water District

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Milwaukie to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Milwaukie.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Milwaukie

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	11.23%	8.35%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.79%)	(0.79%)	(0.79%)	(0.79%)	(0.79%)
Side account rate relief [2]	(3.10%)	(3.10%)	(3.10%)	(3.10%)	(3.10%)
Net pension contribution rate	**16.09%**	**13.21%**	**19.95%**	**11.13%**	**13.86%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.68%**	**13.80%**	**20.54%**	**11.62%**	**14.35%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.16%	8.28%	16.01%	6.73%	9.44%
July 1, 2013 to June 30, 2015	16.09%	13.21%	19.95%	11.13%	13.86%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Milwaukie

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$13,560,400	$11,078,986
Allocated pre-SLGRP pooled liability/(surplus)	(1,735,751)	(1,768,245)
Transition liability/(surplus)	(783,738)	(798,197)
Allocated pooled OPSRP UAL	145,138	106,798
Side account	3,063,311	3,323,682
Net unfunded pension actuarial accrued liability	8,122,738	5,295,660
Combined valuation payroll	8,506,342	8,601,471
Net pension UAL as a percentage of payroll	95%	62%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.79%)	(0.76%)
Side account rate relief	(3.10%)	(3.18%)
Allocated pooled RHIA UAL	$220,361	$309,467
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$1,309,219	$75,673	5.65%	$1,732,897	$97,909
Tier 2 General Service	10.42%	1,625,046	169,330	10.34%	1,545,619	159,817
Total General Service		**2,934,265**	**245,003**		**3,278,516**	**257,726**
Tier 1 Police & Fire	15.06%	1,269,374	191,168	14.74%	1,172,810	172,872
Tier 2 Police & Fire	15.12%	929,299	140,510	15.03%	810,651	121,841
Total Police & Fire		**2,198,673**	**331,678**		**1,983,461**	**294,713**
Total		**$5,132,938**	**$576,681**		**$5,261,977**	**$552,439**
Employer normal cost rate						
General Service			**8.35%**			**7.86%**
Police & Fire			**15.09%**			**14.86%**
Aggregate (Default)			**11.23%**			**10.50%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($798,197)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.85%)
B. Actual employer payroll	4,495,136
C. Payment to transition liability/(surplus)	(38,209)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.76%)
B. Actual employer payroll	4,513,889
C. Payment to transition liability/(surplus)	(34,305)
4. Supplemental payment to transition liability	0
5. Interest	(58,055)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($783,738)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(783,738)	(798,197)
2. Combined valuation payroll	8,506,342	8,601,471
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.79%)**	**(0.76%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$3,323,682**	**$3,323,682**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(348,646)	(348,646)
5. Side account earnings during 2011		89,275	89,275
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$3,063,311**	**$3,063,311**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$3,063,311	$3,323,682
Side Account 2	0	0
Side Account 3	0	0
Total	**$3,063,311**	**$3,323,682**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$3,063,311	$3,323,682
2. Combined valuation payroll	8,506,342	8,601,471
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(3.10%)	(3.18%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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503 227 0634

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Monmouth/2157
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Monmouth/2157

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Monmouth/2157

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Monmouth -- #2157

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Monmouth to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Monmouth.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Monmouth

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.47%	7.66%	15.07%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(4.62%)	(4.62%)	(4.62%)	(4.62%)	(4.62%)
Net pension contribution rate	**15.36%**	**13.55%**	**20.96%**	**12.16%**	**14.89%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.95%**	**14.14%**	**21.55%**	**12.65%**	**15.38%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.12%	9.47%	17.24%	7.75%	10.46%
July 1, 2013 to June 30, 2015	15.36%	13.55%	20.96%	12.16%	14.89%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Monmouth

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$4,450,840	$3,387,652
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	47,638	32,656
Side account	1,500,141	1,605,925
Net unfunded pension actuarial accrued liability	2,998,337	1,814,383
Combined valuation payroll	2,791,980	2,630,095
Net pension UAL as a percentage of payroll	107%	69%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	0.00%	0.00%
Side account rate relief	(4.62%)	(5.03%)
Allocated pooled RHIA UAL	$72,328	$94,627
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$613,496	$35,460	5.65%	$690,919	$39,037
Tier 2 General Service	10.42%	416,668	43,417	10.34%	404,501	41,825
Total General Service		**1,030,164**	**78,877**		**1,095,420**	**80,862**
Tier 1 Police & Fire	15.06%	264,976	39,905	14.74%	224,968	33,160
Tier 2 Police & Fire	15.12%	67,345	10,183	15.03%	64,142	9,641
Total Police & Fire		**332,321**	**50,088**		**289,110**	**42,801**
Total		**$1,362,485**	**$128,965**		**$1,384,530**	**$123,663**
Employer normal cost rate						
General Service			**7.66%**			**7.38%**
Police & Fire			**15.07%**			**14.80%**
Aggregate (Default)			**9.47%**			**8.93%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	2,791,980	2,630,095
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$1,605,925**	**$1,605,925**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(147,359)	(147,359)
5. Side account earnings during 2011		42,575	42,575
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$1,500,141**	**$1,500,141**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$1,500,141	$1,605,925
Side Account 2	0	0
Side Account 3	0	0
Total	**$1,500,141**	**$1,605,925**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$1,500,141	$1,605,925
2. Combined valuation payroll	2,791,980	2,630,095
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(4.62%)	(5.03%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Monroe/2209
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Monroe/2209

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Monroe/2209

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Monroe -- #2209

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Monroe to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Monroe.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Monroe

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.15%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(36.46%)	(36.46%)	(36.46%)	(36.46%)	(36.46%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%	0.00%	0.00%
July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%	0.00%	0.00%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Monroe

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$58,998	$45,425
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(156,893)	(157,883)
Allocated pooled OPSRP UAL	631	438
Side account	0	0
Net unfunded pension actuarial accrued liability	(97,264)	(112,020)
Combined valuation payroll	37,009	35,267
Net pension UAL as a percentage of payroll	(263%)	(318%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(36.46%)	(36.89%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$959	$1,269
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$0**	**$0**		**$0**	**$0**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.15%**			**8.96%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($157,883)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(11.02%)
B. Actual employer payroll	52,431
C. Payment to transition liability/(surplus)	(5,624)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(15.07%)
B. Actual employer payroll	51,901
C. Payment to transition liability/(surplus)	(6,988)
4. Supplemental payment to transition liability	0
5. Interest	(11,622)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($156,893)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(156,893)	(157,883)
2. Combined valuation payroll	37,009	35,267
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(36.46%)**	**(36.89%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	37,009	35,267
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

City of Moro/2301
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Moro/2301

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012

City of Moro/2301

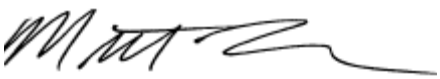
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Moro -- #2301

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Moro to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Moro.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Moro

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.78%	5.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(9.32%)	(9.32%)	(9.32%)	(9.32%)	(9.32%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**6.97%**	**6.97%**	**16.28%**	**7.46%**	**10.19%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**7.56%**	**7.56%**	**16.87%**	**7.95%**	**10.68%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	1.81%	1.81%	11.37%	2.14%	4.85%
July 1, 2013 to June 30, 2015	6.97%	6.97%	16.28%	7.46%	10.19%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Moro

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$139,563	$102,377
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(94,900)	(94,702)
Allocated pooled OPSRP UAL	1,494	987
Side account	0	0
Net unfunded pension actuarial accrued liability	46,157	8,662
Combined valuation payroll	87,547	79,483
Net pension UAL as a percentage of payroll	53%	11%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(9.32%)	(9.82%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,268	$2,860
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$35,544	$2,054	5.65%	$30,504	$1,723
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**35,544**	**2,054**		**30,504**	**1,723**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$35,544**	**$2,054**		**$30,504**	**$1,723**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.78%**			**5.65%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($94,702)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(6.16%)
B. Actual employer payroll	41,383
C. Payment to transition liability/(surplus)	(2,549)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(10.17%)
B. Actual employer payroll	42,113
C. Payment to transition liability/(surplus)	(4,283)
4. Supplemental payment to transition liability	0
5. Interest	(7,030)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($94,900)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(94,900)	(94,702)
2. Combined valuation payroll	87,547	79,483
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(9.32%)**	**(9.82%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	87,547	79,483
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Mt. Vernon/2302
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
City of Mt. Vernon/2302

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012

City of Mt. Vernon/2302

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Mt Vernon -- #2302

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Mt. Vernon to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Mt. Vernon.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Mt. Vernon

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.27%	7.27%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(7.69%)	(7.69%)	(7.69%)	(7.69%)	(7.69%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**10.09%**	**10.09%**	**17.91%**	**9.09%**	**11.82%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**10.68%**	**10.68%**	**18.50%**	**9.58%**	**12.31%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	6.50%	6.50%	14.49%	5.26%	7.97%
July 1, 2013 to June 30, 2015	10.09%	10.09%	17.91%	9.09%	11.82%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Mt. Vernon

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$185,387	$147,513
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(103,904)	(99,899)
Allocated pooled OPSRP UAL	1,984	1,422
Side account	0	0
Net unfunded pension actuarial accrued liability	83,467	49,036
Combined valuation payroll	116,292	114,526
Net pension UAL as a percentage of payroll	72%	43%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(7.69%)	(7.19%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$3,013	$4,120
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$58,316	$3,371	5.65%	$60,233	$3,403
Tier 2 General Service	10.42%	27,635	2,880	10.34%	24,577	2,541
Total General Service		**85,951**	**6,251**		**84,810**	**5,944**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$85,951**	**$6,251**		**$84,810**	**$5,944**
Employer normal cost rate						
General Service			**7.27%**			**7.01%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.27%**			**7.01%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($99,899)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.67%
B. Actual employer payroll	54,690
C. Payment to transition liability/(surplus)	366
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(7.05%)
B. Actual employer payroll	57,567
C. Payment to transition liability/(surplus)	(4,058)
4. Supplemental payment to transition liability	0
5. Interest	(7,697)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($103,904)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(103,904)	(99,899)
2. Combined valuation payroll	116,292	114,526
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(7.69%)**	**(7.19%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	116,292	114,526
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Myrtle Creek/2197
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Myrtle Creek/2197

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Myrtle Creek/2197

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Myrtle Creek -- #2197

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Myrtle Creek to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Myrtle Creek.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Myrtle Creek

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.44%	7.83%	15.06%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(3.64%)	(3.64%)	(3.64%)	(3.64%)	(3.64%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**14.55%**	**12.94%**	**20.17%**	**11.38%**	**14.11%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.14%**	**13.53%**	**20.76%**	**11.87%**	**14.60%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.89%	7.97%	16.53%	7.10%	9.81%
July 1, 2013 to June 30, 2015	14.55%	12.94%	20.17%	11.38%	14.11%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Myrtle Creek

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,579,163	$1,163,494
Allocated pre-SLGRP pooled liability/(surplus)	(202,135)	(185,698)
Transition liability/(surplus)	(418,869)	(421,833)
Allocated pooled OPSRP UAL	16,902	11,216
Side account	0	0
Net unfunded pension actuarial accrued liability	975,061	567,179
Combined valuation payroll	990,598	903,310
Net pension UAL as a percentage of payroll	98%	63%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(3.64%)	(3.85%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$25,662	$32,500
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$231,284	$13,368	5.65%	$256,359	$14,484
Tier 2 General Service	10.42%	182,893	19,057	10.34%	148,899	15,396
Total General Service		**414,177**	**32,425**		**405,258**	**29,880**
Tier 1 Police & Fire	15.06%	119,213	17,953	14.74%	113,726	16,763
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**119,213**	**17,953**		**113,726**	**16,763**
Total		**$533,390**	**$50,378**		**$518,984**	**$46,643**
Employer normal cost rate						
General Service			**7.83%**			**7.37%**
Police & Fire			**15.06%**			**14.74%**
Aggregate (Default)			**9.44%**			**8.99%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($421,833)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.20%)
B. Actual employer payroll	513,346
C. Payment to transition liability/(surplus)	(16,427)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(3.51%)
B. Actual employer payroll	500,375
C. Payment to transition liability/(surplus)	(17,564)
4. Supplemental payment to transition liability	0
5. Interest	(31,027)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($418,869)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(418,869)	(421,833)
2. Combined valuation payroll	990,598	903,310
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.64%)**	**(3.85%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	990,598	903,310
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Myrtle Point/2183
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Myrtle Point/2183

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Myrtle Point/2183

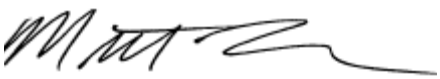
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Myrtle Point -- #2183

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Myrtle Point to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Myrtle Point.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Myrtle Point

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.12%	7.42%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(7.63%)	(7.63%)	(7.63%)	(7.63%)	(7.63%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**11.24%**	**8.54%**	**16.22%**	**7.39%**	**10.12%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**11.83%**	**9.13%**	**16.81%**	**7.88%**	**10.61%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	6.30%	3.66%	11.85%	2.79%	5.50%
July 1, 2013 to June 30, 2015	11.24%	8.54%	16.22%	7.39%	10.12%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Myrtle Point

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,677,824	$1,325,589
Allocated pre-SLGRP pooled liability/(surplus)	(214,764)	(211,569)
Transition liability/(surplus)	(933,803)	(949,785)
Allocated pooled OPSRP UAL	17,958	12,778
Side account	0	0
Net unfunded pension actuarial accrued liability	547,215	177,013
Combined valuation payroll	1,052,487	1,029,157
Net pension UAL as a percentage of payroll	52%	17%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(7.63%)	(7.61%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$27,265	$37,027
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$227,168	$13,130	5.65%	$275,149	$15,546
Tier 2 General Service	10.42%	123,832	12,903	10.34%	115,836	11,977
Total General Service		**351,000**	**26,033**		**390,985**	**27,523**
Tier 1 Police & Fire	15.06%	59,177	8,912	14.74%	56,086	8,267
Tier 2 Police & Fire	15.12%	131,385	19,865	15.03%	127,393	19,147
Total Police & Fire		**190,562**	**28,777**		**183,479**	**27,414**
Total		**$541,562**	**$54,810**		**$574,464**	**$54,937**
Employer normal cost rate						
General Service			**7.42%**			**7.04%**
Police & Fire			**15.10%**			**14.94%**
Aggregate (Default)			**10.12%**			**9.56%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($949,785)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(8.04%)
B. Actual employer payroll	546,866
C. Payment to transition liability/(surplus)	(43,968)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(7.82%)
B. Actual employer payroll	526,650
C. Payment to transition liability/(surplus)	(41,185)
4. Supplemental payment to transition liability	0
5. Interest	(69,171)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($933,803)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(933,803)	(949,785)
2. Combined valuation payroll	1,052,487	1,029,157
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(7.63%)**	**(7.61%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,052,487	1,029,157
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Newberg/2777
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Newberg/2777

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Newberg/2777

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Newberg -- #2777

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Newberg to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Newberg.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Newberg

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	13.35%	9.13%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.60%)	(0.60%)	(0.60%)	(0.60%)	(0.60%)
Side account rate relief [2]	(3.01%)	(3.01%)	(3.01%)	(3.01%)	(3.01%)
Net pension contribution rate	**18.49%**	**14.27%**	**20.24%**	**11.41%**	**14.14%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.08%**	**14.86%**	**20.83%**	**11.90%**	**14.63%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.16%	9.58%	16.05%	6.85%	9.56%
July 1, 2013 to June 30, 2015	18.49%	14.27%	20.24%	11.41%	14.14%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Newberg

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$9,557,088	$7,770,475
Allocated pre-SLGRP pooled liability/(surplus)	(1,223,321)	(1,240,195)
Transition liability/(surplus)	(419,146)	(426,212)
Allocated pooled OPSRP UAL	102,291	74,905
Side account	2,098,652	2,283,184
Net unfunded pension actuarial accrued liability	5,918,260	3,895,789
Combined valuation payroll	5,995,093	6,032,819
Net pension UAL as a percentage of payroll	99%	65%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.60%)	(0.58%)
Side account rate relief	(3.01%)	(3.12%)
Allocated pooled RHIA UAL	$155,306	$217,051
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$303,703	$17,554	5.65%	$301,668	$17,044
Tier 2 General Service	10.42%	789,017	82,216	10.34%	839,813	86,837
Total General Service		**1,092,720**	**99,770**		**1,141,481**	**103,881**
Tier 1 Police & Fire	15.06%	1,032,981	155,567	14.74%	1,170,110	172,474
Tier 2 Police & Fire	15.12%	1,612,346	243,787	15.03%	1,546,566	232,449
Total Police & Fire		**2,645,327**	**399,354**		**2,716,676**	**404,923**
Total		**$3,738,047**	**$499,124**		**$3,858,157**	**$508,804**
Employer normal cost rate						
General Service			**9.13%**			**9.10%**
Police & Fire			**15.10%**			**14.91%**
Aggregate (Default)			**13.35%**			**13.19%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($426,212)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.69%)
B. Actual employer payroll	2,980,836
C. Payment to transition liability/(surplus)	(20,568)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.60%)
B. Actual employer payroll	2,924,433
C. Payment to transition liability/(surplus)	(17,546)
4. Supplemental payment to transition liability	0
5. Interest	(31,048)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($419,146)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(419,146)	(426,212)
2. Combined valuation payroll	5,995,093	6,032,819
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.60%)**	**(0.58%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$2,283,184**	**$2,283,184**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(245,630)	(245,630)
5. Side account earnings during 2011		62,098	62,098
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$2,098,652**	**$2,098,652**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$2,098,652	$2,283,184
Side Account 2	0	0
Side Account 3	0	0
Total	**$2,098,652**	**$2,283,184**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$2,098,652	$2,283,184
2. Combined valuation payroll	5,995,093	6,032,819
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(3.01%)	(3.12%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Newport/2276
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Newport/2276

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
City of Newport/2276

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Newport -- #2276

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Newport to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Newport.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Newport

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.09%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(7.44%)	(7.44%)	(7.44%)	(7.44%)	(7.44%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.40%**	**9.23%**	**16.40%**	**7.58%**	**10.31%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.99%**	**9.82%**	**16.99%**	**8.07%**	**10.80%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	13.28%	5.43%	13.28%	3.98%	6.69%
July 1, 2013 to June 30, 2015	16.40%	9.23%	16.40%	7.58%	10.31%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Newport

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$2,775,802	$2,382,166
Allocated pre-SLGRP pooled liability/(surplus)	(355,307)	(380,202)
Transition liability/(surplus)	(1,505,967)	(1,522,977)
Allocated pooled OPSRP UAL	29,710	22,963
Side account	0	0
Net unfunded pension actuarial accrued liability	944,238	501,950
Combined valuation payroll	1,741,241	1,849,459
Net pension UAL as a percentage of payroll	54%	27%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(7.44%)	(6.79%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$45,108	$66,541
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	677,203	101,987	14.74%	665,692	98,123
Tier 2 Police & Fire	15.12%	495,348	74,897	15.03%	555,772	83,533
Total Police & Fire		**1,172,551**	**176,884**		**1,221,464**	**181,656**
Total		**$1,172,551**	**$176,884**		**$1,221,464**	**$181,656**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.09%**			**14.87%**
Aggregate (Default)			**15.09%**			**14.87%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,522,977)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(7.32%)
B. Actual employer payroll	962,354
C. Payment to transition liability/(surplus)	(70,444)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(6.63%)
B. Actual employer payroll	876,600
C. Payment to transition liability/(surplus)	(58,119)
4. Supplemental payment to transition liability	0
5. Interest	(111,553)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,505,967)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,505,967)	(1,522,977)
2. Combined valuation payroll	1,741,241	1,849,459
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(7.44%)**	**(6.79%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,741,241	1,849,459
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of North Bend/2292
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of North Bend/2292

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of North Bend/2292

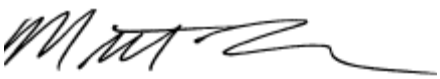
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of North Bend -- #2292

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of North Bend to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of North Bend.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of North Bend

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	11.56%	7.86%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(2.64%)	(2.64%)	(2.64%)	(2.64%)	(2.64%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.67%**	**13.97%**	**21.21%**	**12.38%**	**15.11%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.26%**	**14.56%**	**21.80%**	**12.87%**	**15.60%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	13.56%	9.89%	17.33%	8.19%	10.90%
July 1, 2013 to June 30, 2015	17.67%	13.97%	21.21%	12.38%	15.11%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of North Bend

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$5,445,568	$4,627,355
Allocated pre-SLGRP pooled liability/(surplus)	(697,041)	(738,542)
Transition liability/(surplus)	(1,049,905)	(1,055,962)
Allocated pooled OPSRP UAL	58,284	44,606
Side account	0	0
Net unfunded pension actuarial accrued liability	3,756,906	2,877,457
Combined valuation payroll	3,415,966	3,592,572
Net pension UAL as a percentage of payroll	110%	80%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(2.64%)	(2.42%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$88,492	$129,255
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$623,103	$36,015	5.65%	$668,140	$37,750
Tier 2 General Service	10.42%	506,936	52,823	10.34%	630,846	65,229
Total General Service		**1,130,039**	**88,838**		**1,298,986**	**102,979**
Tier 1 Police & Fire	15.06%	463,682	69,831	14.74%	517,403	76,265
Tier 2 Police & Fire	15.12%	719,483	108,786	15.03%	776,299	116,678
Total Police & Fire		**1,183,165**	**178,617**		**1,293,702**	**192,943**
Total		**$2,313,204**	**$267,455**		**$2,592,688**	**$295,922**
Employer normal cost rate						
General Service			**7.86%**			**7.93%**
Police & Fire			**15.10%**			**14.91%**
Aggregate (Default)			**11.56%**			**11.41%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,055,962)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.40%)
B. Actual employer payroll	1,718,942
C. Payment to transition liability/(surplus)	(41,255)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.42%)
B. Actual employer payroll	1,759,235
C. Payment to transition liability/(surplus)	(42,573)
4. Supplemental payment to transition liability	0
5. Interest	(77,771)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,049,905)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	**December 31, 2010**
1. Total transition liability/(surplus)	(1,049,905)	(1,055,962)
2. Combined valuation payroll	3,415,966	3,592,572
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.64%)**	**(2.42%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	3,415,966	3,592,572
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of North Plains/2192
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of North Plains/2192

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of North Plains/2192

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of North Plains -- #2192

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of North Plains to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of North Plains.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of North Plains

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	12.36%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(2.70%)	(2.70%)	(2.70%)	(2.70%)	(2.70%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**18.41%**	**16.47%**	**21.14%**	**12.32%**	**15.05%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.00%**	**17.06%**	**21.73%**	**12.81%**	**15.54%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.27%	10.18%	18.09%	8.44%	11.15%
July 1, 2013 to June 30, 2015	18.41%	16.47%	21.14%	12.32%	15.05%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of North Plains

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$885,349	$842,721
Allocated pre-SLGRP pooled liability/(surplus)	(113,326)	(134,501)
Transition liability/(surplus)	(174,561)	(176,510)
Allocated pooled OPSRP UAL	9,476	8,124
Side account	0	0
Net unfunded pension actuarial accrued liability	606,938	539,834
Combined valuation payroll	555,373	654,269
Net pension UAL as a percentage of payroll	109%	83%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(2.70%)	(2.22%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$14,387	$23,540
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$190,929	$10,787
Tier 2 General Service	10.42%	197,127	20,541	10.34%	194,619	20,124
Total General Service		**197,127**	**20,541**		**385,548**	**30,911**
Tier 1 Police & Fire	15.06%	62,424	9,401	14.74%	62,623	9,231
Tier 2 Police & Fire	15.12%	76,988	11,641	15.03%	0	0
Total Police & Fire		**139,412**	**21,042**		**62,623**	**9,231**
Total		**$336,539**	**$41,583**		**$448,171**	**$40,142**
Employer normal cost rate						
General Service			**10.42%**			**8.02%**
Police & Fire			**15.09%**			**14.74%**
Aggregate (Default)			**12.36%**			**8.96%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($176,510)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.87%)
B. Actual employer payroll	377,075
C. Payment to transition liability/(surplus)	(7,051)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.17%)
B. Actual employer payroll	360,747
C. Payment to transition liability/(surplus)	(7,828)
4. Supplemental payment to transition liability	0
5. Interest	(12,930)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($174,561)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(174,561)	(176,510)
2. Combined valuation payroll	555,373	654,269
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.70%)**	**(2.22%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	555,373	654,269
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of North Powder/2308
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of North Powder/2308

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of North Powder/2308

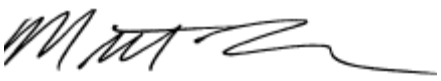
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of North Powder -- #2308

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of North Powder to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of North Powder.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of North Powder

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(3.96%)	(3.96%)	(3.96%)	(3.96%)	(3.96%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.97%**	**16.97%**	**21.64%**	**12.82%**	**15.55%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.56%**	**17.56%**	**22.23%**	**13.31%**	**16.04%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.61%	10.61%	16.08%	6.85%	9.56%
July 1, 2013 to June 30, 2015	16.97%	16.97%	21.64%	12.82%	15.55%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of North Powder

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$84,900	$76,464
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(24,511)	(21,097)
Allocated pooled OPSRP UAL	909	737
Side account	0	0
Net unfunded pension actuarial accrued liability	61,298	56,104
Combined valuation payroll	53,257	59,365
Net pension UAL as a percentage of payroll	115%	95%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.96%)	(2.93%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,380	$2,136
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	31,636	3,296	10.34%	31,959	3,305
Total General Service		**31,636**	**3,296**		**31,959**	**3,305**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$31,636**	**$3,296**		**$31,959**	**$3,305**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($21,097)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	10.76%
B. Actual employer payroll	32,547
C. Payment to transition liability/(surplus)	3,502
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.46%)
B. Actual employer payroll	34,880
C. Payment to transition liability/(surplus)	(1,904)
4. Supplemental payment to transition liability	0
5. Interest	(1,816)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($24,511)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(24,511)	(21,097)
2. Combined valuation payroll	53,257	59,365
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.96%)**	**(2.93%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	53,257	59,365
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Nyssa/2166
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Nyssa/2166

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Nyssa/2166

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Nyssa -- #2166

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Nyssa to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Nyssa.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Nyssa

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.92%	8.35%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.53%)	(0.53%)	(0.53%)	(0.53%)	(0.53%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.14%**	**16.57%**	**23.32%**	**14.49%**	**17.22%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.73%**	**17.16%**	**23.91%**	**14.98%**	**17.71%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.94%	11.80%	19.18%	10.13%	12.84%
July 1, 2013 to June 30, 2015	19.14%	16.57%	23.32%	14.49%	17.22%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Nyssa

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,032,462	$861,762
Allocated pre-SLGRP pooled liability/(surplus)	(132,157)	(137,540)
Transition liability/(surplus)	(39,758)	(40,068)
Allocated pooled OPSRP UAL	11,051	8,307
Side account	0	0
Net unfunded pension actuarial accrued liability	871,598	692,461
Combined valuation payroll	647,656	669,052
Net pension UAL as a percentage of payroll	135%	104%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.53%)	(0.49%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$16,778	$24,071
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$97,309	$5,624	5.65%	$112,243	$6,342
Tier 2 General Service	10.42%	120,384	12,544	10.34%	116,670	12,064
Total General Service		**217,693**	**18,168**		**228,913**	**18,406**
Tier 1 Police & Fire	15.06%	47,056	7,087	14.74%	47,379	6,984
Tier 2 Police & Fire	15.12%	87,273	13,196	15.03%	120,104	18,052
Total Police & Fire		**134,329**	**20,283**		**167,483**	**25,036**
Total		**$352,022**	**$38,451**		**$396,396**	**$43,442**
Employer normal cost rate						
General Service			**8.35%**			**8.04%**
Police & Fire			**15.10%**			**14.95%**
Aggregate (Default)			**10.92%**			**10.96%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($40,068)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.50%)
B. Actual employer payroll	326,379
C. Payment to transition liability/(surplus)	(1,632)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.48%)
B. Actual employer payroll	338,142
C. Payment to transition liability/(surplus)	(1,623)
4. Supplemental payment to transition liability	0
5. Interest	(2,945)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($39,758)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(39,758)	(40,068)
2. Combined valuation payroll	647,656	669,052
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.53%)**	**(0.49%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	647,656	669,052
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Oakland/2143
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Oakland/2143

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Oakland/2143

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Oakland -- #2143

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Oakland to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Oakland.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Oakland

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.15%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	5.06%	5.06%	5.06%	5.06%	5.06%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**24.72%**	**23.49%**	**30.66%**	**21.84%**	**24.57%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**25.31%**	**24.08%**	**31.25%**	**22.33%**	**25.06%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	**80% to 120%**	**Under 70% or Over 130%**
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	22.08%	22.08%	27.56%	18.33%	21.04%
July 1, 2013 to June 30, 2015	24.72%	23.49%	30.66%	21.84%	24.57%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Oakland

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$336,910	$270,822
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	124,383	123,229
Allocated pooled OPSRP UAL	3,606	2,611
Side account	0	0
Net unfunded pension actuarial accrued liability	464,899	396,662
Combined valuation payroll	211,341	210,260
Net pension UAL as a percentage of payroll	220%	189%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	5.06%	4.83%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$5,475	$7,565
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$0**	**$0**		**$0**	**$0**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.15%**			**8.96%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$123,229
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	1.88%
B. Actual employer payroll	100,897
C. Payment to transition liability/(surplus)	1,897
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	6.02%
B. Actual employer payroll	102,364
C. Payment to transition liability/(surplus)	6,163
4. Supplemental payment to transition liability	0
5. Interest	9,214
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$124,383**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	124,383	123,229
2. Combined valuation payroll	211,341	210,260
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**5.06%**	**4.83%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	211,341	210,260
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Oakridge/2168
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Oakridge/2168

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Oakridge/2168

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Oakridge -- #2168

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Oakridge to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Oakridge.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Oakridge

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.94%	8.02%	15.07%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	4.08%	4.08%	4.08%	4.08%	4.08%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**23.77%**	**20.85%**	**27.90%**	**19.10%**	**21.83%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**24.36%**	**21.44%**	**28.49%**	**19.59%**	**22.32%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	19.22%	16.33%	23.93%	14.43%	17.14%
July 1, 2013 to June 30, 2015	23.77%	20.85%	27.90%	19.10%	21.83%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Oakridge

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$2,004,161	$1,784,183
Allocated pre-SLGRP pooled liability/(surplus)	(256,536)	(284,762)
Transition liability/(surplus)	596,397	605,445
Allocated pooled OPSRP UAL	21,451	17,199
Side account	0	0
Net unfunded pension actuarial accrued liability	2,365,473	2,122,065
Combined valuation payroll	1,257,196	1,385,199
Net pension UAL as a percentage of payroll	188%	153%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	4.08%	3.60%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$32,568	$49,837
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$209,156	$12,089	5.65%	$252,348	$14,258
Tier 2 General Service	10.42%	195,972	20,420	10.34%	304,466	31,482
Total General Service		**405,128**	**32,509**		**556,814**	**45,740**
Tier 1 Police & Fire	15.06%	221,516	33,360	14.74%	219,926	32,417
Tier 2 Police & Fire	15.12%	64,249	9,714	15.03%	58,550	8,800
Total Police & Fire		**285,765**	**43,074**		**278,476**	**41,217**
Total		**$690,893**	**$75,583**		**$835,290**	**$86,957**
Employer normal cost rate						
General Service			**8.02%**			**8.21%**
Police & Fire			**15.07%**			**14.80%**
Aggregate (Default)			**10.94%**			**10.41%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$605,445
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	3.82%
B. Actual employer payroll	746,331
C. Payment to transition liability/(surplus)	28,510
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	3.82%
B. Actual employer payroll	647,023
C. Payment to transition liability/(surplus)	24,716
4. Supplemental payment to transition liability	0
5. Interest	44,178
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$596,397**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	596,397	605,445
2. Combined valuation payroll	1,257,196	1,385,199
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**4.08%**	**3.60%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,257,196	1,385,199
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Oregon City/2119
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Oregon City/2119

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Oregon City/2119

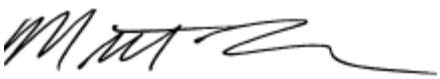
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Oregon City -- #2119

SEPTEMBER 2012

Secondary Employers

2727 Park Place Water District

2769 South Fork Water Board

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Oregon City to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Oregon City.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Oregon City

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.64%	8.84%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(4.83%)	(4.83%)	(4.83%)	(4.83%)	(4.83%)
Net pension contribution rate	**16.32%**	**14.52%**	**20.78%**	**11.95%**	**14.68%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.91%**	**15.11%**	**21.37%**	**12.44%**	**15.17%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.95%	8.99%	15.95%	6.84%	9.55%
July 1, 2013 to June 30, 2015	16.32%	14.52%	20.78%	11.95%	14.68%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Oregon City

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$17,189,677	$14,029,671
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	183,983	135,242
Side account	6,051,253	6,604,371
Net unfunded pension actuarial accrued liability	11,322,407	7,560,542
Combined valuation payroll	10,782,962	10,892,315
Net pension UAL as a percentage of payroll	105%	69%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	0.00%	0.00%
Side account rate relief	(4.83%)	(5.00%)
Allocated pooled RHIA UAL	$279,338	$391,888
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$1,780,988	$102,941	5.65%	$1,958,040	$110,629
Tier 2 General Service	10.42%	3,452,470	359,747	10.34%	3,448,088	356,532
Total General Service		**5,233,458**	**462,688**		**5,406,128**	**467,161**
Tier 1 Police & Fire	15.06%	772,677	116,365	14.74%	709,671	104,606
Tier 2 Police & Fire	15.12%	1,338,593	202,395	15.03%	1,506,602	226,442
Total Police & Fire		**2,111,270**	**318,760**		**2,216,273**	**331,048**
Total		**$7,344,728**	**$781,448**		**$7,622,401**	**$798,209**
Employer normal cost rate						
General Service			**8.84%**			**8.64%**
Police & Fire			**15.10%**			**14.94%**
Aggregate (Default)			**10.64%**			**10.47%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	10,782,962	10,892,315
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$6,604,371**	**$6,604,371**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(732,279)	(732,279)
5. Side account earnings during 2011		180,161	180,161
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$6,051,253**	**$6,051,253**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$6,051,253	$6,604,371
Side Account 2	0	0
Side Account 3	0	0
Total	**$6,051,253**	**$6,604,371**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$6,051,253	$6,604,371
2. Combined valuation payroll	10,782,962	10,892,315
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(4.83%)	(5.00%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Pendleton/2154
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Pendleton/2154

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Pendleton/2154

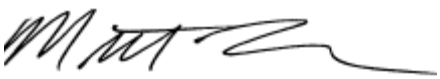
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Pendleton -- #2154

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Pendleton to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Pendleton.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Pendleton

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	11.50%	7.52%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(3.41%)	(3.41%)	(3.41%)	(3.41%)	(3.41%)
Net pension contribution rate	**16.84%**	**12.86%**	**20.43%**	**11.61%**	**14.34%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.43%**	**13.45%**	**21.02%**	**12.10%**	**14.83%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.20%	8.26%	16.31%	7.07%	9.78%
July 1, 2013 to June 30, 2015	16.84%	12.86%	20.43%	11.61%	14.34%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Pendleton

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$12,685,049	$10,341,082
Allocated pre-SLGRP pooled liability/(surplus)	(1,623,705)	(1,650,473)
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	135,769	99,685
Side account	3,152,756	3,394,257
Net unfunded pension actuarial accrued liability	8,044,357	5,396,037
Combined valuation payroll	7,957,241	8,028,579
Net pension UAL as a percentage of payroll	101%	67%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.00%	0.00%
Side account rate relief	(3.41%)	(3.48%)
Allocated pooled RHIA UAL	$206,136	$288,856
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$1,666,535	$96,326	5.65%	$1,860,066	$105,094
Tier 2 General Service	10.42%	1,002,606	104,472	10.34%	1,102,465	113,995
Total General Service		**2,669,141**	**200,798**		**2,962,531**	**219,089**
Tier 1 Police & Fire	15.06%	1,322,456	199,162	14.74%	1,326,031	195,457
Tier 2 Police & Fire	15.12%	1,625,765	245,816	15.03%	1,607,221	241,565
Total Police & Fire		**2,948,221**	**444,978**		**2,933,252**	**437,022**
Total		**$5,617,362**	**$645,776**		**$5,895,783**	**$656,111**
Employer normal cost rate						
General Service			**7.52%**			**7.40%**
Police & Fire			**15.09%**			**14.90%**
Aggregate (Default)			**11.50%**			**11.13%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	7,957,241	8,028,579
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$3,394,257**	**$3,394,257**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(331,684)	(331,684)
5. Side account earnings during 2011		91,183	91,183
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$3,152,756**	**$3,152,756**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$3,152,756	$3,394,257
Side Account 2	0	0
Side Account 3	0	0
Total	**$3,152,756**	**$3,394,257**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$3,152,756	$3,394,257
2. Combined valuation payroll	7,957,241	8,028,579
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(3.41%)	(3.48%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Philomath/2187
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Philomath/2187

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Philomath/2187

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Philomath -- #2187

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Philomath to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Philomath.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Philomath

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.24%	7.94%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(2.75%)	(2.75%)	(2.75%)	(2.75%)	(2.75%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.24%**	**13.94%**	**21.09%**	**12.27%**	**15.00%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.83%**	**14.53%**	**21.68%**	**12.76%**	**15.49%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.63%	8.89%	16.71%	7.52%	10.23%
July 1, 2013 to June 30, 2015	16.24%	13.94%	21.09%	12.27%	15.00%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Philomath

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$2,396,036	$1,831,399
Allocated pre-SLGRP pooled liability/(surplus)	(306,696)	(292,298)
Transition liability/(surplus)	(479,835)	(491,021)
Allocated pooled OPSRP UAL	25,645	17,654
Side account	0	0
Net unfunded pension actuarial accrued liability	1,635,150	1,065,734
Combined valuation payroll	1,503,016	1,421,856
Net pension UAL as a percentage of payroll	109%	75%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(2.75%)	(2.85%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$38,936	$51,156
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$305,686	$17,669	5.65%	$300,237	$16,963
Tier 2 General Service	10.42%	265,253	27,639	10.34%	252,333	26,091
Total General Service		**570,939**	**45,308**		**552,570**	**43,054**
Tier 1 Police & Fire	15.06%	120,798	18,192	14.74%	118,987	17,539
Tier 2 Police & Fire	15.12%	149,844	22,656	15.03%	145,161	21,818
Total Police & Fire		**270,642**	**40,848**		**264,148**	**39,357**
Total		**$841,581**	**$86,156**		**$816,718**	**$82,411**
Employer normal cost rate						
General Service			**7.94%**			**7.79%**
Police & Fire			**15.09%**			**14.90%**
Aggregate (Default)			**10.24%**			**10.09%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($491,021)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.08%)
B. Actual employer payroll	731,821
C. Payment to transition liability/(surplus)	(22,540)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(3.09%)
B. Actual employer payroll	782,809
C. Payment to transition liability/(surplus)	(24,189)
4. Supplemental payment to transition liability	0
5. Interest	(35,543)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($479,835)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(479,835)	(491,021)
2. Combined valuation payroll	1,503,016	1,421,856
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.75%)**	**(2.85%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,503,016	1,421,856
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

City of Phoenix/2249
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Phoenix/2249

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012
City of Phoenix/2249

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Phoenix -- #2249

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Phoenix to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Phoenix.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Phoenix

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	11.93%	9.55%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(10.11%)	(10.11%)	(10.11%)	(10.11%)	(10.11%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**12.33%**	**9.95%**	**15.50%**	**6.67%**	**9.40%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**12.92%**	**10.54%**	**16.09%**	**7.16%**	**9.89%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	**80% to 120%**	**Under 70% or Over 130%**
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	7.19%	4.63%	11.36%	2.26%	4.97%
July 1, 2013 to June 30, 2015	12.33%	9.95%	15.50%	6.67%	9.40%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Phoenix

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,691,138	$1,360,389
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(1,246,360)	(1,241,749)
Allocated pooled OPSRP UAL	18,100	13,114
Side account	0	0
Net unfunded pension actuarial accrued liability	462,878	131,754
Combined valuation payroll	1,060,839	1,056,175
Net pension UAL as a percentage of payroll	44%	12%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(10.11%)	(9.69%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$27,482	$38,000
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$47,656	$2,755	5.65%	$48,424	$2,736
Tier 2 General Service	10.42%	207,413	21,612	10.34%	191,846	19,837
Total General Service		**255,069**	**24,367**		**240,270**	**22,573**
Tier 1 Police & Fire	15.06%	58,994	8,884	14.74%	62,241	9,174
Tier 2 Police & Fire	15.12%	131,747	19,920	15.03%	129,565	19,474
Total Police & Fire		**190,741**	**28,804**		**191,806**	**28,648**
Total		**$445,810**	**$53,171**		**$432,076**	**$51,221**
Employer normal cost rate						
General Service			**9.55%**			**9.39%**
Police & Fire			**15.10%**			**14.94%**
Aggregate (Default)			**11.93%**			**11.85%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,241,749)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(6.45%)
B. Actual employer payroll	526,688
C. Payment to transition liability/(surplus)	(33,971)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(10.05%)
B. Actual employer payroll	534,736
C. Payment to transition liability/(surplus)	(53,741)
4. Supplemental payment to transition liability	0
5. Interest	(92,323)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,246,360)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,246,360)	(1,241,749)
2. Combined valuation payroll	1,060,839	1,056,175
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(10.11%)**	**(9.69%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,060,839	1,056,175
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Pilot Rock/2161
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Pilot Rock/2161

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Pilot Rock/2161

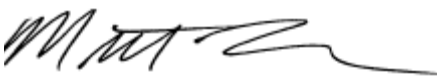
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Pilot Rock -- #2161

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Pilot Rock to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Pilot Rock.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Pilot Rock

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.31%	7.55%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	3.96%	3.96%	3.96%	3.96%	3.96%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**23.02%**	**20.26%**	**27.83%**	**18.98%**	**21.71%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**23.61%**	**20.85%**	**28.42%**	**19.47%**	**22.20%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	18.07%	14.53%	22.96%	13.77%	16.48%
July 1, 2013 to June 30, 2015	23.02%	20.26%	27.83%	18.98%	21.71%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Pilot Rock

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$477,313	$479,388
Allocated pre-SLGRP pooled liability/(surplus)	(61,097)	(76,512)
Transition liability/(surplus)	138,008	140,674
Allocated pooled OPSRP UAL	5,109	4,621
Side account	0	0
Net unfunded pension actuarial accrued liability	559,333	548,171
Combined valuation payroll	299,415	372,186
Net pension UAL as a percentage of payroll	187%	147%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	3.96%	3.11%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$7,756	$13,391
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$68,403	$3,954	5.65%	$116,439	$6,579
Tier 2 General Service	10.42%	42,312	4,409	10.34%	42,635	4,408
Total General Service		**110,715**	**8,363**		**159,074**	**10,987**
Tier 1 Police & Fire	15.06%	0	0	14.74%	52,139	7,685
Tier 2 Police & Fire	15.12%	63,528	9,605	15.03%	63,528	9,548
Total Police & Fire		**63,528**	**9,605**		**115,667**	**17,233**
Total		**$174,243**	**$17,968**		**$274,741**	**$28,220**
Employer normal cost rate						
General Service			**7.55%**			**6.91%**
Police & Fire			**15.12%**			**14.90%**
Aggregate (Default)			**10.31%**			**10.27%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$140,674
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	4.41%
B. Actual employer payroll	174,087
C. Payment to transition liability/(surplus)	7,677
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	3.16%
B. Actual employer payroll	164,888
C. Payment to transition liability/(surplus)	5,212
4. Supplemental payment to transition liability	0
5. Interest	10,223
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$138,008**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	138,008	140,674
2. Combined valuation payroll	299,415	372,186
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**3.96%**	**3.11%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	299,415	372,186
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Port Orford/2184
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Port Orford/2184

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
City of Port Orford/2184

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Port Orford -- #2184

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Port Orford to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Port Orford.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Port Orford

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.50%	8.50%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.91%)	(0.91%)	(0.91%)	(0.91%)	(0.91%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.34%**	**16.34%**	**22.93%**	**14.11%**	**16.84%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.93%**	**16.93%**	**23.52%**	**14.60%**	**17.33%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.50%	11.50%	18.83%	9.60%	12.31%
July 1, 2013 to June 30, 2015	16.34%	16.34%	22.93%	14.11%	16.84%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Port Orford

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$710,979	$556,365
Allocated pre-SLGRP pooled liability/(surplus)	(91,006)	(88,798)
Transition liability/(surplus)	(47,269)	(49,570)
Allocated pooled OPSRP UAL	7,610	5,363
Side account	0	0
Net unfunded pension actuarial accrued liability	580,314	423,360
Combined valuation payroll	445,992	431,949
Net pension UAL as a percentage of payroll	130%	98%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.91%)	(0.95%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$11,554	$15,541
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$110,734	$6,400	5.65%	$110,148	$6,223
Tier 2 General Service	10.42%	156,853	16,344	10.34%	152,662	15,785
Total General Service		**267,587**	**22,744**		**262,810**	**22,008**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$267,587**	**$22,744**		**$262,810**	**$22,008**
Employer normal cost rate						
General Service			**8.50%**			**8.37%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.50%**			**8.37%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($49,570)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.11%)
B. Actual employer payroll	267,866
C. Payment to transition liability/(surplus)	(2,973)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.01%)
B. Actual employer payroll	280,014
C. Payment to transition liability/(surplus)	(2,829)
4. Supplemental payment to transition liability	0
5. Interest	(3,501)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($47,269)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(47,269)	(49,570)
2. Combined valuation payroll	445,992	431,949
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.91%)**	**(0.95%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	445,992	431,949
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Portland/2121
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Portland/2121

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Portland/2121

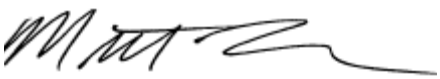
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Portland -- #2121

SEPTEMBER 2012

Secondary Employers

2156	Portland Development Commission
2173	Portland Boxing Commission
2509	Multnomah Rural Fire Protection District #2
2514	Maplewood Water District
2516	Multnomah Rural Fire Protection District #3
2520	Powell Valley Road Water District
2525	Metropolitan Planning Commission
2566	Capitol Highway Water District
2593	Sylvan Water District
2680	Gilbert Water District
2683	City of Portland Water Bureau

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Portland to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Portland.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Portland

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.99%	7.89%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	11.36%	11.36%	11.36%	11.36%	11.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(4.59%)	(4.59%)	(4.59%)	(4.59%)	(4.59%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**13.15%**	**13.05%**	**20.25%**	**11.43%**	**14.16%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.74%**	**13.64%**	**20.84%**	**11.92%**	**14.65%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	8.71%	8.61%	16.45%	7.19%	9.90%
July 1, 2013 to June 30, 2015	13.15%	13.05%	20.25%	11.43%	14.16%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Portland

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$483,838,011	$396,119,924
Allocated pre-SLGRP pooled liability/(surplus)	(61,931,984)	(63,222,121)
Transition liability/(surplus)	(161,817,407)	(163,989,695)
Allocated pooled OPSRP UAL	5,178,569	3,818,471
Side account	0	0
Net unfunded pension actuarial accrued liability	265,267,189	172,726,579
Combined valuation payroll	303,508,135	307,538,429
Net pension UAL as a percentage of payroll	87%	56%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(4.59%)	(4.39%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$7,862,531	$11,064,746
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$101,471,203	$5,865,036	5.65%	$110,816,182	$6,261,114
Tier 2 General Service	10.42%	84,612,862	8,816,660	10.34%	86,345,861	8,928,162
Total General Service		**186,084,065**	**14,681,696**		**197,162,043**	**15,189,276**
Tier 1 Police & Fire	15.06%	1,074,211	161,776	14.74%	1,180,434	173,996
Tier 2 Police & Fire	15.12%	1,441,628	217,974	15.03%	1,332,167	200,225
Total Police & Fire		**2,515,839**	**379,750**		**2,512,601**	**374,221**
Total		**$188,599,904**	**$15,061,446**		**$199,674,644**	**$15,563,497**
Employer normal cost rate						
General Service			**7.89%**			**7.70%**
Police & Fire			**15.09%**			**14.89%**
Aggregate (Default)			**7.99%**			**7.79%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($163,989,695)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(4.78%)
B. Actual employer payroll	153,181,705
C. Payment to transition liability/(surplus)	(7,322,085)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.34%)
B. Actual employer payroll	157,527,124
C. Payment to transition liability/(surplus)	(6,836,678)
4. Supplemental payment to transition liability	0
5. Interest	(11,986,475)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($161,817,407)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(161,817,407)	(163,989,695)
2. Combined valuation payroll	303,508,135	307,538,429
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.59%)**	**(4.39%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	303,508,135	307,538,429
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Redmond/2122
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Redmond/2122

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Redmond/2122

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Redmond -- #2122

SEPTEMBER 2012

Secondary Employers

2590 Deschutes County Rural Fire Protection District #1

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Redmond to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Redmond.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Redmond

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.73%	8.65%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(5.70%)	(5.70%)	(5.70%)	(5.70%)	(5.70%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.54%**	**13.46%**	**19.91%**	**11.08%**	**13.81%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.13%**	**14.05%**	**20.50%**	**11.57%**	**14.30%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.69%	8.68%	15.99%	6.83%	9.54%
July 1, 2013 to June 30, 2015	15.54%	13.46%	19.91%	11.08%	13.81%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Redmond

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$13,908,905	$16,200,267
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(5,785,845)	(8,130,927)
Allocated pooled OPSRP UAL	148,868	156,165
Side account	0	0
Net unfunded pension actuarial accrued liability	8,271,928	8,225,505
Combined valuation payroll	8,724,957	12,577,516
Net pension UAL as a percentage of payroll	95%	65%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.70%)	(5.33%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$226,024	$452,519
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$1,229,193	$71,047	5.65%	$1,485,027	$83,904
Tier 2 General Service	10.42%	1,988,796	207,233	10.34%	2,030,906	209,996
Total General Service		**3,217,989**	**278,280**		**3,515,933**	**293,900**
Tier 1 Police & Fire	15.06%	434,849	65,488	14.74%	1,641,004	241,884
Tier 2 Police & Fire	15.12%	1,101,609	166,563	15.03%	2,708,212	407,044
Total Police & Fire		**1,536,458**	**232,051**		**4,349,216**	**648,928**
Total		**$4,754,447**	**$510,331**		**$7,865,149**	**$942,828**
Employer normal cost rate						
General Service			**8.65%**			**8.36%**
Police & Fire			**15.10%**			**14.92%**
Aggregate (Default)			**10.73%**			**11.99%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($8,130,927)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(5.57%)
B. Actual employer payroll	6,147,079
C. Payment to transition liability/(surplus)	(342,392)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.48%)
B. Actual employer payroll	4,371,710
C. Payment to transition liability/(surplus)	(239,570)
4. Supplemental payment to transition liability	0
5. Interest	(603,917)
6. Adjustment due to merged or spun-off employers	2,367,037
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($5,785,845)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(5,785,845)	(8,130,927)
2. Combined valuation payroll	8,724,957	12,577,516
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(5.70%)**	**(5.33%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	8,724,957	12,577,516
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

City of Reedsport/2139
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Reedsport/2139

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Reedsport/2139

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Reedsport -- #2139

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Reedsport to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Reedsport.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Reedsport

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.77%	8.50%	15.11%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(10.59%)	(10.59%)	(10.59%)	(10.59%)	(10.59%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**8.93%**	**6.66%**	**13.27%**	**4.43%**	**7.16%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**9.52%**	**7.25%**	**13.86%**	**4.92%**	**7.65%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	**80% to 120%**	**Under 70% or Over 130%**
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	3.72%	1.84%	9.06%	0.07%	2.78%
July 1, 2013 to June 30, 2015	8.93%	6.66%	13.27%	4.43%	7.16%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Reedsport

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$2,307,307	$1,995,821
Allocated pre-SLGRP pooled liability/(surplus)	(295,339)	(318,540)
Transition liability/(surplus)	(1,782,057)	(1,801,948)
Allocated pooled OPSRP UAL	24,695	19,239
Side account	0	0
Net unfunded pension actuarial accrued liability	254,606	(105,428)
Combined valuation payroll	1,447,357	1,549,510
Net pension UAL as a percentage of payroll	18%	(7%)
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(10.59%)	(9.58%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$37,495	$55,749
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$236,703	$13,681	5.65%	$335,343	$18,947
Tier 2 General Service	10.42%	334,496	34,854	10.34%	360,665	37,293
Total General Service		**571,199**	**48,535**		**696,008**	**56,240**
Tier 1 Police & Fire	15.06%	57,082	8,597	14.74%	56,670	8,353
Tier 2 Police & Fire	15.12%	241,573	36,526	15.03%	234,678	35,272
Total Police & Fire		**298,655**	**45,123**		**291,348**	**43,625**
Total		**$869,854**	**$93,658**		**$987,356**	**$99,865**
Employer normal cost rate						
General Service			**8.50%**			**8.08%**
Police & Fire			**15.11%**			**14.97%**
Aggregate (Default)			**10.77%**			**10.11%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,801,948)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(9.70%)
B. Actual employer payroll	764,091
C. Payment to transition liability/(surplus)	(72,089)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(10.54%)
B. Actual employer payroll	757,174
C. Payment to transition liability/(surplus)	(79,806)
4. Supplemental payment to transition liability	0
5. Interest	(132,004)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,782,057)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,782,057)	(1,801,948)
2. Combined valuation payroll	1,447,357	1,549,510
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(10.59%)**	**(9.58%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,447,357	1,549,510
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Riddle/2260
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Riddle/2260

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Riddle/2260

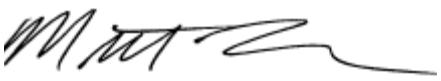
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Riddle -- #2260

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Riddle to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Riddle.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Riddle

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	6.69%	6.69%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(4.27%)	(4.27%)	(4.27%)	(4.27%)	(4.27%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**12.93%**	**12.93%**	**21.33%**	**12.51%**	**15.24%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.52%**	**13.52%**	**21.92%**	**13.00%**	**15.73%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	8.42%	8.42%	17.25%	8.02%	10.73%
July 1, 2013 to June 30, 2015	12.93%	12.93%	21.33%	12.51%	15.24%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Riddle

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$393,209	$329,408
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(122,496)	(122,618)
Allocated pooled OPSRP UAL	4,209	3,175
Side account	0	0
Net unfunded pension actuarial accrued liability	274,922	209,965
Combined valuation payroll	246,657	255,745
Net pension UAL as a percentage of payroll	111%	82%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.27%)	(3.95%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$6,390	$9,201
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$131,126	$7,579	5.65%	$133,735	$7,556
Tier 2 General Service	10.42%	31,945	3,329	10.34%	31,222	3,228
Total General Service		**163,071**	**10,908**		**164,957**	**10,784**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$163,071**	**$10,908**		**$164,957**	**$10,784**
Employer normal cost rate						
General Service			**6.69%**			**6.54%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**6.69%**			**6.54%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($122,618)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.48%)
B. Actual employer payroll	120,086
C. Payment to transition liability/(surplus)	(4,179)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.29%)
B. Actual employer payroll	116,946
C. Payment to transition liability/(surplus)	(5,017)
4. Supplemental payment to transition liability	0
5. Interest	(9,074)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($122,496)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(122,496)	(122,618)
2. Combined valuation payroll	246,657	255,745
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.27%)**	**(3.95%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	246,657	255,745
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Rockaway Beach/2203
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Rockaway Beach/2203

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Rockaway Beach/2203

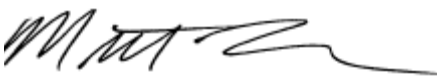
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Rockaway Beach -- #2203

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Rockaway Beach to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Rockaway Beach.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Rockaway Beach

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.65%	9.65%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(4.38%)	(4.38%)	(4.38%)	(4.38%)	(4.38%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.78%**	**15.78%**	**21.22%**	**12.40%**	**15.13%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.37%**	**16.37%**	**21.81%**	**12.89%**	**15.62%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.21%	10.21%	17.44%	8.21%	10.92%
July 1, 2013 to June 30, 2015	15.78%	15.78%	21.22%	12.40%	15.13%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Rockaway Beach

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,080,677	$732,631
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(345,017)	(343,070)
Allocated pooled OPSRP UAL	11,567	7,062
Side account	0	0
Net unfunded pension actuarial accrued liability	747,227	396,623
Combined valuation payroll	677,901	568,798
Net pension UAL as a percentage of payroll	110%	70%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.38%)	(4.97%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$17,561	$20,464
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$43,365	$2,506	5.65%	$41,636	$2,352
Tier 2 General Service	10.42%	218,541	22,772	10.34%	204,441	21,139
Total General Service		**261,906**	**25,278**		**246,077**	**23,491**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$261,906**	**$25,278**		**$246,077**	**$23,491**
Employer normal cost rate						
General Service			**9.65%**			**9.55%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.65%**			**9.55%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($343,070)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.41%)
B. Actual employer payroll	379,206
C. Payment to transition liability/(surplus)	(9,139)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.10%)
B. Actual employer payroll	352,953
C. Payment to transition liability/(surplus)	(14,471)
4. Supplemental payment to transition liability	0
5. Interest	(25,557)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($345,017)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(345,017)	(343,070)
2. Combined valuation payroll	677,901	568,798
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.38%)**	**(4.97%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	677,901	568,798
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Rogue River/2251
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
City of Rogue River/2251

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Rogue River/2251

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Rogue River -- #2251

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Rogue River to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Rogue River.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Rogue River

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.50%	8.19%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	3.32%	3.32%	3.32%	3.32%	3.32%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**22.57%**	**20.26%**	**27.19%**	**18.34%**	**21.07%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**23.16%**	**20.85%**	**27.78%**	**18.83%**	**21.56%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	18.04%	15.89%	22.77%	13.96%	16.67%
July 1, 2013 to June 30, 2015	22.57%	20.26%	27.19%	18.34%	21.07%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Rogue River

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,072,010	$840,326
Allocated pre-SLGRP pooled liability/(surplus)	(137,219)	(134,119)
Transition liability/(surplus)	259,204	261,160
Allocated pooled OPSRP UAL	11,474	8,100
Side account	0	0
Net unfunded pension actuarial accrued liability	1,205,469	975,467
Combined valuation payroll	672,464	652,410
Net pension UAL as a percentage of payroll	179%	150%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	3.32%	3.30%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$17,421	$23,473
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$123,579	$7,143	5.65%	$120,520	$6,809
Tier 2 General Service	10.42%	133,804	13,942	10.34%	132,030	13,652
Total General Service		**257,383**	**21,085**		**252,550**	**20,461**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	128,793	19,474	15.03%	123,905	18,623
Total Police & Fire		**128,793**	**19,474**		**123,905**	**18,623**
Total		**$386,176**	**$40,559**		**$376,455**	**$39,084**
Employer normal cost rate						
General Service			**8.19%**			**8.10%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**10.50%**			**10.38%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$261,160
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	2.95%
B. Actual employer payroll	318,608
C. Payment to transition liability/(surplus)	9,399
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	3.35%
B. Actual employer payroll	350,938
C. Payment to transition liability/(surplus)	11,757
4. Supplemental payment to transition liability	0
5. Interest	19,200
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$259,204**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	259,204	261,160
2. Combined valuation payroll	672,464	652,410
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**3.32%**	**3.30%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	672,464	652,410
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Roseburg/2100
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Roseburg/2100

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Roseburg/2100

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Roseburg -- #2100

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Roseburg to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Roseburg.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Roseburg

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	12.39%	8.02%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	4.25%	4.25%	4.25%	4.25%	4.25%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**25.39%**	**21.02%**	**28.09%**	**19.27%**	**22.00%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**25.98%**	**21.61%**	**28.68%**	**19.76%**	**22.49%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	20.95%	16.29%	24.12%	14.82%	17.53%
July 1, 2013 to June 30, 2015	25.39%	21.02%	28.09%	19.27%	22.00%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Roseburg

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$15,794,098	$12,150,384
Allocated pre-SLGRP pooled liability/(surplus)	(2,021,668)	(1,939,244)
Transition liability/(surplus)	4,892,489	4,942,233
Allocated pooled OPSRP UAL	169,046	117,126
Side account	0	0
Net unfunded pension actuarial accrued liability	18,833,965	15,270,499
Combined valuation payroll	9,907,525	9,433,280
Net pension UAL as a percentage of payroll	190%	162%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	4.25%	4.32%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$256,659	$339,394
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$1,232,895	$71,261	5.65%	$1,385,055	$78,256
Tier 2 General Service	10.42%	1,148,172	119,640	10.34%	1,103,706	114,123
Total General Service		**2,381,067**	**190,901**		**2,488,761**	**192,379**
Tier 1 Police & Fire	15.06%	2,082,565	313,634	14.74%	2,045,124	301,451
Tier 2 Police & Fire	15.12%	1,788,284	270,389	15.03%	1,757,415	264,139
Total Police & Fire		**3,870,849**	**584,023**		**3,802,539**	**565,590**
Total		**$6,251,916**	**$774,924**		**$6,291,300**	**$757,969**
Employer normal cost rate						
General Service			**8.02%**			**7.73%**
Police & Fire			**15.09%**			**14.87%**
Aggregate (Default)			**12.39%**			**12.05%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$4,942,233
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	4.20%
B. Actual employer payroll	4,749,935
C. Payment to transition liability/(surplus)	199,497
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	4.21%
B. Actual employer payroll	5,051,155
C. Payment to transition liability/(surplus)	212,654
4. Supplemental payment to transition liability	0
5. Interest	362,407
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$4,892,489**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	4,892,489	4,942,233
2. Combined valuation payroll	9,907,525	9,433,280
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**4.25%**	**4.32%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	9,907,525	9,433,280
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

City of Sandy/2172
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Sandy/2172

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
City of Sandy/2172

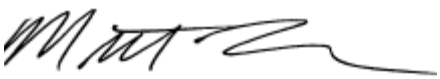
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Sandy -- #2172

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Sandy to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Sandy.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Sandy

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.77%	7.80%	15.11%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.96%)	(0.96%)	(0.96%)	(0.96%)	(0.96%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.56%**	**15.59%**	**22.90%**	**14.06%**	**16.79%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.15%**	**16.18%**	**23.49%**	**14.55%**	**17.28%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.65%	10.77%	18.49%	9.53%	12.24%
July 1, 2013 to June 30, 2015	17.56%	15.59%	22.90%	14.06%	16.79%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Sandy

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$4,718,236	$3,544,374
Allocated pre-SLGRP pooled liability/(surplus)	(603,941)	(565,695)
Transition liability/(surplus)	(330,590)	(340,028)
Allocated pooled OPSRP UAL	50,500	34,167
Side account	0	0
Net unfunded pension actuarial accrued liability	3,834,205	2,672,818
Combined valuation payroll	2,959,716	2,751,771
Net pension UAL as a percentage of payroll	130%	97%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.96%)	(1.02%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$76,673	$99,004
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$647,351	$37,417	5.65%	$728,376	$41,153
Tier 2 General Service	10.42%	500,086	52,109	10.34%	483,512	49,995
Total General Service		**1,147,437**	**89,526**		**1,211,888**	**91,148**
Tier 1 Police & Fire	15.06%	80,269	12,089	14.74%	75,782	11,170
Tier 2 Police & Fire	15.12%	342,980	51,859	15.03%	291,078	43,749
Total Police & Fire		**423,249**	**63,948**		**366,860**	**54,919**
Total		**$1,570,686**	**$153,474**		**$1,578,748**	**$146,067**
Employer normal cost rate						
General Service			**7.80%**			**7.52%**
Police & Fire			**15.11%**			**14.97%**
Aggregate (Default)			**9.77%**			**9.25%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($340,028)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.26%)
B. Actual employer payroll	1,380,545
C. Payment to transition liability/(surplus)	(17,395)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.08%)
B. Actual employer payroll	1,530,671
C. Payment to transition liability/(surplus)	(16,531)
4. Supplemental payment to transition liability	0
5. Interest	(24,488)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($330,590)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(330,590)	(340,028)
2. Combined valuation payroll	2,959,716	2,751,771
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.96%)**	**(1.02%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	2,959,716	2,751,771
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Scappoose/2176
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
City of Scappoose/2176

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012

City of Scappoose/2176

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Scappoose -- #2176

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Scappoose to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Scappoose.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Scappoose

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.24%	8.23%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(1.28%)	(1.28%)	(1.28%)	(1.28%)	(1.28%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.47%**	**17.46%**	**24.33%**	**15.50%**	**18.23%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.06%**	**18.05%**	**24.92%**	**15.99%**	**18.72%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.10%	12.69%	20.03%	10.92%	13.63%
July 1, 2013 to June 30, 2015	19.47%	17.46%	24.33%	15.50%	18.23%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Scappoose

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$3,207,403	$2,351,475
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(300,520)	(305,252)
Allocated pooled OPSRP UAL	34,329	22,667
Side account	0	0
Net unfunded pension actuarial accrued liability	2,941,212	2,068,890
Combined valuation payroll	2,011,981	1,825,631
Net pension UAL as a percentage of payroll	146%	113%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.28%)	(1.38%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$52,121	$65,683
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$450,784	$26,055	5.65%	$443,133	$25,037
Tier 2 General Service	10.42%	505,685	52,692	10.34%	481,865	49,825
Total General Service		**956,469**	**78,747**		**924,998**	**74,862**
Tier 1 Police & Fire	15.06%	162,150	24,420	14.74%	157,334	23,191
Tier 2 Police & Fire	15.12%	232,603	35,170	15.03%	231,210	34,751
Total Police & Fire		**394,753**	**59,590**		**388,544**	**57,942**
Total		**$1,351,222**	**$138,337**		**$1,313,542**	**$132,804**
Employer normal cost rate						
General Service			**8.23%**			**8.09%**
Police & Fire			**15.10%**			**14.91%**
Aggregate (Default)			**10.24%**			**10.11%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($305,252)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.43%)
B. Actual employer payroll	935,637
C. Payment to transition liability/(surplus)	(13,380)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.39%)
B. Actual employer payroll	979,376
C. Payment to transition liability/(surplus)	(13,613)
4. Supplemental payment to transition liability	0
5. Interest	(22,261)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($300,520)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(300,520)	(305,252)
2. Combined valuation payroll	2,011,981	1,825,631
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.28%)**	**(1.38%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	2,011,981	1,825,631
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Shady Cove/2254
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Shady Cove/2254

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Shady Cove/2254

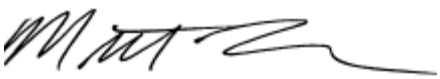
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Shady Cove -- #2254

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Shady Cove to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Shady Cove.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Shady Cove

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(15.19%)	(15.19%)	(15.19%)	(15.19%)	(15.19%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**5.74%**	**5.74%**	**10.41%**	**1.59%**	**4.32%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**6.33%**	**6.33%**	**11.00%**	**2.08%**	**4.81%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.55%	8.60%	15.11%	6.30%	9.01%
July 1, 2013 to June 30, 2015	5.74%	5.74%	10.41%	1.59%	4.32%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Shady Cove

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$277,875	$319,731
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(307,859)	(298,997)
Allocated pooled OPSRP UAL	2,974	3,082
Side account	0	0
Net unfunded pension actuarial accrued liability	(27,010)	23,816
Combined valuation payroll	174,309	248,232
Net pension UAL as a percentage of payroll	(16%)	10%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(15.19%)	(9.93%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$4,516	$8,931
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$102,946	$5,816
Tier 2 General Service	10.42%	83,465	8,697	10.34%	124,926	12,917
Total General Service		**83,465**	**8,697**		**227,872**	**18,733**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$83,465**	**$8,697**		**$227,872**	**$18,733**
Employer normal cost rate						
General Service			**10.42%**			**8.22%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**8.22%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($298,997)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(4.77%)
B. Actual employer payroll	153,549
C. Payment to transition liability/(surplus)	(7,324)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(6.01%)
B. Actual employer payroll	110,114
C. Payment to transition liability/(surplus)	(6,618)
4. Supplemental payment to transition liability	0
5. Interest	(22,804)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($307,859)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(307,859)	(298,997)
2. Combined valuation payroll	174,309	248,232
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(15.19%)**	**(9.93%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	174,309	248,232
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Sherwood/2142
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Sherwood/2142

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Sherwood/2142

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Sherwood -- #2142

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Sherwood to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Sherwood.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Sherwood

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	11.37%	8.90%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.30%)	(0.30%)	(0.30%)	(0.30%)	(0.30%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.82%**	**17.35%**	**23.55%**	**14.72%**	**17.45%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.41%**	**17.94%**	**24.14%**	**15.21%**	**17.94%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.32%	12.63%	19.45%	10.32%	13.03%
July 1, 2013 to June 30, 2015	19.82%	17.35%	23.55%	14.72%	17.45%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Sherwood

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$8,606,108	$7,356,955
Allocated pre-SLGRP pooled liability/(surplus)	(1,101,595)	(1,174,196)
Transition liability/(surplus)	(185,519)	(190,839)
Allocated pooled OPSRP UAL	92,112	70,919
Side account	0	0
Net unfunded pension actuarial accrued liability	7,411,106	6,062,839
Combined valuation payroll	5,398,550	5,711,771
Net pension UAL as a percentage of payroll	137%	106%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.30%)	(0.28%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$139,852	$205,500
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$578,011	$33,409	5.65%	$612,423	$34,602
Tier 2 General Service	10.42%	1,188,319	123,823	10.34%	1,384,015	143,107
Total General Service		**1,766,330**	**157,232**		**1,996,438**	**177,709**
Tier 1 Police & Fire	15.06%	466,400	70,240	14.74%	473,865	69,848
Tier 2 Police & Fire	15.12%	706,963	106,893	15.03%	778,319	116,981
Total Police & Fire		**1,173,363**	**177,133**		**1,252,184**	**186,829**
Total		**$2,939,693**	**$334,365**		**$3,248,622**	**$364,538**
Employer normal cost rate						
General Service			**8.90%**			**8.90%**
Police & Fire			**15.10%**			**14.92%**
Aggregate (Default)			**11.37%**			**11.22%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($190,839)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.36%)
B. Actual employer payroll	2,943,721
C. Payment to transition liability/(surplus)	(10,597)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.29%)
B. Actual employer payroll	2,918,750
C. Payment to transition liability/(surplus)	(8,465)
4. Supplemental payment to transition liability	0
5. Interest	(13,742)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($185,519)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(185,519)	(190,839)
2. Combined valuation payroll	5,398,550	5,711,771
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.30%)**	**(0.28%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	5,398,550	5,711,771
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Silverton/2273
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Silverton/2273

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Silverton/2273

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Silverton -- #2273

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Silverton to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Silverton.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Silverton

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.49%	8.18%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.09%)	(0.09%)	(0.09%)	(0.09%)	(0.09%)
Side account rate relief [2]	(1.91%)	(1.91%)	(1.91%)	(1.91%)	(1.91%)
Net pension contribution rate	**17.24%**	**14.93%**	**21.84%**	**13.02%**	**15.75%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.83%**	**15.52%**	**22.43%**	**13.51%**	**16.24%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.00%	9.52%	17.80%	8.49%	11.20%
July 1, 2013 to June 30, 2015	17.24%	14.93%	21.84%	13.02%	15.75%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Silverton

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$4,274,364	$3,540,993
Allocated pre-SLGRP pooled liability/(surplus)	(547,125)	(565,155)
Transition liability/(surplus)	(27,883)	(28,463)
Allocated pooled OPSRP UAL	45,749	34,134
Side account	595,492	645,184
Net unfunded pension actuarial accrued liability	3,149,613	2,336,325
Combined valuation payroll	2,681,278	2,749,146
Net pension UAL as a percentage of payroll	117%	85%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.09%)	(0.09%)
Side account rate relief	(1.91%)	(1.93%)
Allocated pooled RHIA UAL	$69,460	$98,910
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$506,193	$29,258	5.65%	$720,582	$40,713
Tier 2 General Service	10.42%	540,786	56,350	10.34%	391,244	40,455
Total General Service		**1,046,979**	**85,608**		**1,111,826**	**81,168**
Tier 1 Police & Fire	15.06%	256,293	38,598	14.74%	301,180	44,394
Tier 2 Police & Fire	15.12%	269,376	40,730	15.03%	253,649	38,123
Total Police & Fire		**525,669**	**79,328**		**554,829**	**82,517**
Total		**$1,572,648**	**$164,936**		**$1,666,655**	**$163,685**
Employer normal cost rate						
General Service			**8.18%**			**7.30%**
Police & Fire			**15.09%**			**14.87%**
Aggregate (Default)			**10.49%**			**9.82%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($28,463)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.09%)
B. Actual employer payroll	1,494,978
C. Payment to transition liability/(surplus)	(1,345)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.09%)
B. Actual employer payroll	1,444,304
C. Payment to transition liability/(surplus)	(1,300)
4. Supplemental payment to transition liability	0
5. Interest	(2,065)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($27,883)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(27,883)	(28,463)
2. Combined valuation payroll	2,681,278	2,749,146
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.09%)**	**(0.09%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$645,184**	**$645,184**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(65,944)	(65,944)
5. Side account earnings during 2011		17,252	17,252
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$595,492**	**$595,492**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$595,492	$645,184
Side Account 2	0	0
Side Account 3	0	0
Total	**$595,492**	**$645,184**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$595,492	$645,184
2. Combined valuation payroll	2,681,278	2,749,146
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(1.91%)	(1.93%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Sisters/2221
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Sisters/2221

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012
City of Sisters/2221

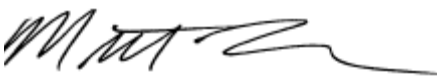
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Sisters -- #2221

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Sisters to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Sisters.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Sisters

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.77%	9.77%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(3.75%)	(3.75%)	(3.75%)	(3.75%)	(3.75%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**14.77%**	**14.77%**	**20.09%**	**11.27%**	**14.00%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.36%**	**15.36%**	**20.68%**	**11.76%**	**14.49%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.50%	10.50%	16.45%	7.22%	9.93%
July 1, 2013 to June 30, 2015	14.77%	14.77%	20.09%	11.27%	14.00%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Sisters

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,298,250	$1,149,078
Allocated pre-SLGRP pooled liability/(surplus)	(166,178)	(183,397)
Transition liability/(surplus)	(354,633)	(366,201)
Allocated pooled OPSRP UAL	13,895	11,077
Side account	0	0
Net unfunded pension actuarial accrued liability	791,334	610,557
Combined valuation payroll	814,383	892,118
Net pension UAL as a percentage of payroll	97%	68%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(3.75%)	(3.38%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$21,097	$32,097
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$60,449	$3,494	5.65%	$58,548	$3,308
Tier 2 General Service	10.42%	374,290	39,001	10.34%	442,224	45,726
Total General Service		**434,739**	**42,495**		**500,772**	**49,034**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$434,739**	**$42,495**		**$500,772**	**$49,034**
Employer normal cost rate						
General Service			**9.77%**			**9.79%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.77%**			**9.79%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($366,201)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(5.64%)
B. Actual employer payroll	414,359
C. Payment to transition liability/(surplus)	(23,370)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(3.39%)
B. Actual employer payroll	426,775
C. Payment to transition liability/(surplus)	(14,467)
4. Supplemental payment to transition liability	0
5. Interest	(26,269)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($354,633)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(354,633)	(366,201)
2. Combined valuation payroll	814,383	892,118
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.75%)**	**(3.38%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	814,383	892,118
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Springfield/2278
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Springfield/2278

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
City of Springfield/2278

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Springfield -- #2278

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Springfield to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Springfield.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Springfield

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	12.24%	9.37%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(7.66%)	(7.66%)	(7.66%)	(7.66%)	(7.66%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.09%**	**12.22%**	**17.94%**	**9.12%**	**11.85%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.68%**	**12.81%**	**18.53%**	**9.61%**	**12.34%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.97%	7.91%	14.38%	5.14%	7.85%
July 1, 2013 to June 30, 2015	15.09%	12.22%	17.94%	9.12%	11.85%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Springfield

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$40,321,799	$34,423,377
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(22,510,795)	(22,653,675)
Allocated pooled OPSRP UAL	431,568	331,830
Side account	0	0
Net unfunded pension actuarial accrued liability	18,242,572	12,101,532
Combined valuation payroll	25,293,577	26,725,521
Net pension UAL as a percentage of payroll	72%	45%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(7.66%)	(6.99%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$655,243	$961,542
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$1,887,227	$109,082	5.65%	$2,069,190	$116,909
Tier 2 General Service	10.42%	6,422,236	669,197	10.34%	7,136,359	737,900
Total General Service		**8,309,463**	**778,279**		**9,205,549**	**854,809**
Tier 1 Police & Fire	15.06%	4,029,956	606,911	14.74%	4,489,697	661,781
Tier 2 Police & Fire	15.12%	4,367,203	660,321	15.03%	4,529,577	680,795
Total Police & Fire		**8,397,159**	**1,267,232**		**9,019,274**	**1,342,576**
Total		**$16,706,622**	**$2,045,511**		**$18,224,823**	**$2,197,385**
Employer normal cost rate						
General Service			**9.37%**			**9.29%**
Police & Fire			**15.09%**			**14.89%**
Aggregate (Default)			**12.24%**			**12.06%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($22,653,675)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(6.74%)
B. Actual employer payroll	12,970,810
C. Payment to transition liability/(surplus)	(874,233)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(7.17%)
B. Actual employer payroll	13,055,990
C. Payment to transition liability/(surplus)	(936,113)
4. Supplemental payment to transition liability	0
5. Interest	(1,667,466)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($22,510,795)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(22,510,795)	(22,653,675)
2. Combined valuation payroll	25,293,577	26,725,521
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(7.66%)**	**(6.99%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	25,293,577	26,725,521
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of St Helens/2123
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of St Helens/2123

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of St Helens/2123

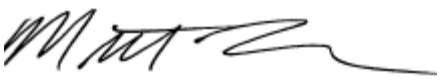
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of St Helens -- #2123

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of St Helens to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of St Helens.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of St Helens

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.82%	8.99%	15.08%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	1.79%	1.79%	1.79%	1.79%	1.79%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**23.12%**	**21.29%**	**27.38%**	**18.57%**	**21.30%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**23.71%**	**21.88%**	**27.97%**	**19.06%**	**21.79%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	18.27%	16.00%	23.28%	13.95%	16.66%
July 1, 2013 to June 30, 2015	23.12%	21.29%	27.38%	18.57%	21.30%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of St Helens

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$6,749,127	$5,575,274
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	882,234	886,465
Allocated pooled OPSRP UAL	72,237	53,744
Side account	0	0
Net unfunded pension actuarial accrued liability	7,703,598	6,515,483
Combined valuation payroll	4,233,679	4,328,515
Net pension UAL as a percentage of payroll	182%	151%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	1.79%	1.69%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$109,676	$155,733
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$597,001	$34,507	5.65%	$651,810	$36,827
Tier 2 General Service	10.42%	1,345,526	140,204	10.34%	1,331,663	137,694
Total General Service		**1,942,527**	**174,711**		**1,983,473**	**174,521**
Tier 1 Police & Fire	15.06%	525,117	79,083	14.74%	516,073	76,069
Tier 2 Police & Fire	15.12%	306,664	46,368	15.03%	370,537	55,692
Total Police & Fire		**831,781**	**125,451**		**886,610**	**131,761**
Total		**$2,774,308**	**$300,162**		**$2,870,083**	**$306,282**
Employer normal cost rate						
General Service			**8.99%**			**8.80%**
Police & Fire			**15.08%**			**14.86%**
Aggregate (Default)			**10.82%**			**10.67%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$886,465
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	1.66%
B. Actual employer payroll	2,147,655
C. Payment to transition liability/(surplus)	35,651
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	1.64%
B. Actual employer payroll	2,068,960
C. Payment to transition liability/(surplus)	33,931
4. Supplemental payment to transition liability	0
5. Interest	65,351
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$882,234**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	882,234	886,465
2. Combined valuation payroll	4,233,679	4,328,515
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**1.79%**	**1.69%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	4,233,679	4,328,515
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Stayton/2757
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Stayton/2757

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Stayton/2757

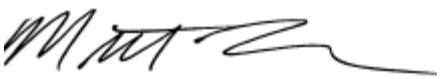
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Stayton -- #2757

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Stayton to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Stayton.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Stayton

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.12%	7.92%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.92%)	(0.92%)	(0.92%)	(0.92%)	(0.92%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**22.95%**	**15.75%**	**22.95%**	**14.10%**	**16.83%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**23.54%**	**16.34%**	**23.54%**	**14.59%**	**17.32%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	18.57%	11.21%	18.57%	9.76%	12.47%
July 1, 2013 to June 30, 2015	22.95%	15.75%	22.95%	14.10%	16.83%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Stayton

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,365,302	$1,178,170
Allocated pre-SLGRP pooled liability/(surplus)	(174,761)	(188,040)
Transition liability/(surplus)	(91,651)	(91,933)
Allocated pooled OPSRP UAL	14,613	11,357
Side account	0	0
Net unfunded pension actuarial accrued liability	1,113,503	909,554
Combined valuation payroll	856,444	914,704
Net pension UAL as a percentage of payroll	130%	99%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.92%)	(0.83%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$22,187	$32,910
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	485,306	73,378	15.03%	558,494	83,942
Total Police & Fire		**485,306**	**73,378**		**558,494**	**83,942**
Total		**$485,306**	**$73,378**		**$558,494**	**$83,942**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**15.12%**			**15.03%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($91,933)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.86%)
B. Actual employer payroll	418,048
C. Payment to transition liability/(surplus)	(3,595)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.85%)
B. Actual employer payroll	408,935
C. Payment to transition liability/(surplus)	(3,476)
4. Supplemental payment to transition liability	0
5. Interest	(6,789)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($91,651)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(91,651)	(91,933)
2. Combined valuation payroll	856,444	914,704
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.92%)**	**(0.83%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	856,444	914,704
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Sutherlin/2217
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Sutherlin/2217

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Sutherlin/2217

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Sutherlin -- #2217

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Sutherlin to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Sutherlin.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Sutherlin

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.19%	7.66%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(7.18%)	(7.18%)	(7.18%)	(7.18%)	(7.18%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**11.76%**	**9.23%**	**16.66%**	**7.84%**	**10.57%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**12.35%**	**9.82%**	**17.25%**	**8.33%**	**11.06%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.83%	6.49%	14.20%	5.05%	7.76%
July 1, 2013 to June 30, 2015	11.76%	9.23%	16.66%	7.84%	10.57%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Sutherlin

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$3,405,384	$2,674,470
Allocated pre-SLGRP pooled liability/(surplus)	(435,894)	(426,855)
Transition liability/(surplus)	(1,782,901)	(1,766,861)
Allocated pooled OPSRP UAL	36,448	25,781
Side account	0	0
Net unfunded pension actuarial accrued liability	1,223,037	506,535
Combined valuation payroll	2,136,173	2,076,397
Net pension UAL as a percentage of payroll	57%	24%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(7.18%)	(7.01%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$55,339	$74,705
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$556,061	$32,140	5.65%	$577,636	$32,636
Tier 2 General Service	10.42%	379,008	39,493	10.34%	369,622	38,219
Total General Service		**935,069**	**71,633**		**947,258**	**70,855**
Tier 1 Police & Fire	15.06%	206,008	31,025	14.74%	206,837	30,488
Tier 2 Police & Fire	15.12%	277,080	41,894	15.03%	269,905	40,567
Total Police & Fire		**483,088**	**72,919**		**476,742**	**71,055**
Total		**$1,418,157**	**$144,552**		**$1,424,000**	**$141,910**
Employer normal cost rate						
General Service			**7.66%**			**7.48%**
Police & Fire			**15.09%**			**14.90%**
Aggregate (Default)			**10.19%**			**9.97%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,766,861)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(4.91%)
B. Actual employer payroll	1,080,748
C. Payment to transition liability/(surplus)	(53,065)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.56%)
B. Actual employer payroll	1,132,423
C. Payment to transition liability/(surplus)	(62,962)
4. Supplemental payment to transition liability	0
5. Interest	(132,067)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,782,901)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	**December 31, 2010**
1. Total transition liability/(surplus)	(1,782,901)	(1,766,861)
2. Combined valuation payroll	2,136,173	2,076,397
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(7.18%)**	**(7.01%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	2,136,173	2,076,397
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

City of Talent/2188
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012
City of Talent/2188

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012
City of Talent/2188

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Talent -- #2188

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Talent to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Talent.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Talent

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.24%	6.94%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(7.66%)	(7.66%)	(7.66%)	(7.66%)	(7.66%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**12.09%**	**9.79%**	**17.97%**	**9.12%**	**11.85%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**12.68%**	**10.38%**	**18.56%**	**9.61%**	**12.34%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	8.24%	5.51%	13.24%	4.43%	7.14%
July 1, 2013 to June 30, 2015	12.09%	9.79%	17.97%	9.12%	11.85%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Talent

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,539,554	$1,138,024
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(860,459)	(889,102)
Allocated pooled OPSRP UAL	16,478	10,970
Side account	0	0
Net unfunded pension actuarial accrued liability	695,573	259,892
Combined valuation payroll	965,751	883,536
Net pension UAL as a percentage of payroll	72%	29%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(7.66%)	(8.29%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$25,018	$31,788
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$268,664	$15,529	5.65%	$236,984	$13,390
Tier 2 General Service	10.42%	89,455	9,321	10.34%	101,345	10,479
Total General Service		**358,119**	**24,850**		**338,329**	**23,869**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	139,978	21,165	15.03%	130,905	19,675
Total Police & Fire		**139,978**	**21,165**		**130,905**	**19,675**
Total		**$498,097**	**$46,015**		**$469,234**	**$43,544**
Employer normal cost rate						
General Service			**6.94%**			**7.05%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**9.24%**			**9.28%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($889,102)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(6.96%)
B. Actual employer payroll	576,217
C. Payment to transition liability/(surplus)	(40,105)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(7.88%)
B. Actual employer payroll	663,403
C. Payment to transition liability/(surplus)	(52,276)
4. Supplemental payment to transition liability	0
5. Interest	(63,738)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($860,459)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(860,459)	(889,102)
2. Combined valuation payroll	965,751	883,536
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(7.66%)**	**(8.29%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	965,751	883,536
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Tigard/2295
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Tigard/2295

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Tigard/2295

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Tigard -- #2295

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Tigard to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Tigard.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Tigard

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.10%	7.92%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(5.02%)	(5.02%)	(5.02%)	(5.02%)	(5.02%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**18.83%**	**11.65%**	**18.83%**	**10.00%**	**12.73%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.42%**	**12.24%**	**19.42%**	**10.49%**	**13.22%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.65%	6.92%	14.65%	5.47%	8.18%
July 1, 2013 to June 30, 2015	18.83%	11.65%	18.83%	10.00%	12.73%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Tigard

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$9,365,228	$7,143,772
Allocated pre-SLGRP pooled liability/(surplus)	(1,198,763)	(1,140,171)
Transition liability/(surplus)	(3,427,417)	(3,488,713)
Allocated pooled OPSRP UAL	100,237	68,864
Side account	0	0
Net unfunded pension actuarial accrued liability	4,839,285	2,583,752
Combined valuation payroll	5,874,741	5,546,261
Net pension UAL as a percentage of payroll	82%	47%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(5.02%)	(5.18%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$152,188	$199,546
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	1,362,139	205,138	14.74%	1,443,222	212,731
Tier 2 Police & Fire	15.12%	2,284,859	345,471	15.03%	2,136,264	321,080
Total Police & Fire		**3,646,998**	**550,609**		**3,579,486**	**533,811**
Total		**$3,646,998**	**$550,609**		**$3,579,486**	**$533,811**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.10%**			**14.91%**
Aggregate (Default)			**15.10%**			**14.91%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($3,488,713)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(5.62%)
B. Actual employer payroll	2,818,542
C. Payment to transition liability/(surplus)	(158,402)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.14%)
B. Actual employer payroll	3,050,135
C. Payment to transition liability/(surplus)	(156,777)
4. Supplemental payment to transition liability	0
5. Interest	(253,883)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($3,427,417)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(3,427,417)	(3,488,713)
2. Combined valuation payroll	5,874,741	5,546,261
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(5.02%)**	**(5.18%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	5,874,741	5,546,261
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Tillamook/2128
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Tillamook/2128

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Tillamook/2128

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Tillamook -- #2128

SEPTEMBER 2012

Secondary Employers

2755 Tillamook Water Commission

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Tillamook to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Tillamook.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Tillamook

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.37%	8.79%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(4.09%)	(4.09%)	(4.09%)	(4.09%)	(4.09%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.79%**	**15.21%**	**21.51%**	**12.69%**	**15.42%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.38%**	**15.80%**	**22.10%**	**13.18%**	**15.91%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.50%	10.44%	17.67%	8.31%	11.02%
July 1, 2013 to June 30, 2015	16.79%	15.21%	21.51%	12.69%	15.42%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Tillamook

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$2,395,285	$1,862,170
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(714,281)	(751,348)
Allocated pooled OPSRP UAL	25,637	17,951
Side account	0	0
Net unfunded pension actuarial accrued liability	1,706,641	1,128,773
Combined valuation payroll	1,502,545	1,445,746
Net pension UAL as a percentage of payroll	114%	78%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.09%)	(4.28%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$38,924	$52,016
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$316,448	$18,291	5.65%	$285,436	$16,127
Tier 2 General Service	10.42%	586,774	61,142	10.34%	555,882	57,478
Total General Service		**903,222**	**79,433**		**841,318**	**73,605**
Tier 1 Police & Fire	15.06%	153,013	23,044	14.74%	244,124	35,984
Tier 2 Police & Fire	15.12%	148,471	22,449	15.03%	139,791	21,011
Total Police & Fire		**301,484**	**45,493**		**383,915**	**56,995**
Total		**$1,204,706**	**$124,926**		**$1,225,233**	**$130,600**
Employer normal cost rate						
General Service			**8.79%**			**8.75%**
Police & Fire			**15.09%**			**14.85%**
Aggregate (Default)			**10.37%**			**10.66%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($751,348)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(7.33%)
B. Actual employer payroll	764,002
C. Payment to transition liability/(surplus)	(56,001)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.00%)
B. Actual employer payroll	849,398
C. Payment to transition liability/(surplus)	(33,976)
4. Supplemental payment to transition liability	0
5. Interest	(52,910)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($714,281)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(714,281)	(751,348)
2. Combined valuation payroll	1,502,545	1,445,746
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.09%)**	**(4.28%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,502,545	1,445,746
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Toledo/2275
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Toledo/2275

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Toledo/2275

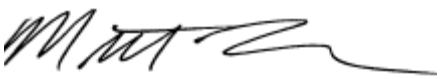
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Toledo -- #2275

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Toledo to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Toledo.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Toledo

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.66%	7.38%	15.11%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(7.97%)	(7.97%)	(7.97%)	(7.97%)	(7.97%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**10.44%**	**8.16%**	**15.89%**	**7.05%**	**9.78%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**11.03%**	**8.75%**	**16.48%**	**7.54%**	**10.27%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	5.06%	2.88%	10.71%	1.76%	4.47%
July 1, 2013 to June 30, 2015	10.44%	8.16%	15.89%	7.05%	9.78%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Toledo

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$3,600,706	$2,804,529
Allocated pre-SLGRP pooled liability/(surplus)	(460,896)	(447,613)
Transition liability/(surplus)	(2,092,650)	(2,134,130)
Allocated pooled OPSRP UAL	38,539	27,035
Side account	0	0
Net unfunded pension actuarial accrued liability	1,085,699	249,821
Combined valuation payroll	2,258,697	2,177,372
Net pension UAL as a percentage of payroll	48%	11%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(7.97%)	(8.08%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$58,513	$78,338
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$516,776	$29,870	5.65%	$514,138	$29,049
Tier 2 General Service	10.42%	271,427	28,283	10.34%	270,154	27,934
Total General Service		**788,203**	**58,153**		**784,292**	**56,983**
Tier 1 Police & Fire	15.06%	60,435	9,102	14.74%	55,123	8,125
Tier 2 Police & Fire	15.12%	269,140	40,694	15.03%	159,787	24,016
Total Police & Fire		**329,575**	**49,796**		**214,910**	**32,141**
Total		**$1,117,778**	**$107,949**		**$999,202**	**$89,124**
Employer normal cost rate						
General Service			**7.38%**			**7.27%**
Police & Fire			**15.11%**			**14.96%**
Aggregate (Default)			**9.66%**			**8.92%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($2,134,130)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(8.93%)
B. Actual employer payroll	1,079,835
C. Payment to transition liability/(surplus)	(95,844)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(8.85%)
B. Actual employer payroll	1,137,247
C. Payment to transition liability/(surplus)	(100,647)
4. Supplemental payment to transition liability	0
5. Interest	(155,011)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($2,092,650)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	**December 31, 2010**
1. Total transition liability/(surplus)	(2,092,650)	(2,134,130)
2. Combined valuation payroll	2,258,697	2,177,372
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(7.97%)**	**(8.08%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	2,258,697	2,177,372
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Troutdale/2237
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Troutdale/2237

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Troutdale/2237

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Troutdale -- #2237

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Troutdale to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Troutdale.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Troutdale

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.22%	7.83%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.49%	10.49%	10.49%	10.49%	10.49%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(5.83%)	(5.83%)	(5.83%)	(5.83%)	(5.83%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.03%**	**12.64%**	**19.91%**	**11.08%**	**13.81%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.62%**	**13.23%**	**20.50%**	**11.57%**	**14.30%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.32%	8.75%	16.41%	7.18%	9.89%
July 1, 2013 to June 30, 2015	15.03%	12.64%	19.91%	11.08%	13.81%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Troutdale

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$6,991,038	$5,600,978
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(2,972,408)	(3,016,109)
Allocated pooled OPSRP UAL	74,826	53,992
Side account	0	0
Net unfunded pension actuarial accrued liability	4,093,456	2,638,861
Combined valuation payroll	4,385,428	4,348,471
Net pension UAL as a percentage of payroll	93%	61%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.83%)	(5.72%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$113,607	$156,451
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$1,151,401	$66,551	5.65%	$1,159,885	$65,534
Tier 2 General Service	10.42%	914,412	95,282	10.34%	1,034,440	106,961
Total General Service		**2,065,813**	**161,833**		**2,194,325**	**172,495**
Tier 1 Police & Fire	15.06%	340,708	51,311	14.74%	346,941	51,139
Tier 2 Police & Fire	15.12%	670,235	101,340	15.03%	644,621	96,887
Total Police & Fire		**1,010,943**	**152,651**		**991,562**	**148,026**
Total		**$3,076,756**	**$314,484**		**$3,185,887**	**$320,521**
Employer normal cost rate						
General Service			**7.83%**			**7.86%**
Police & Fire			**15.10%**			**14.93%**
Aggregate (Default)			**10.22%**			**10.06%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($3,016,109)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(6.35%)
B. Actual employer payroll	2,241,552
C. Payment to transition liability/(surplus)	(142,339)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.25%)
B. Actual employer payroll	2,315,046
C. Payment to transition liability/(surplus)	(121,540)
4. Supplemental payment to transition liability	0
5. Interest	(220,178)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($2,972,408)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(2,972,408)	(3,016,109)
2. Combined valuation payroll	4,385,428	4,348,471
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(5.83%)**	**(5.72%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	4,385,428	4,348,471
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

City of Tualatin/2288
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012
City of Tualatin/2288

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Tualatin/2288

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Tualatin -- #2288

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Tualatin to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Tualatin.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Tualatin

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	11.08%	8.55%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	1.49%	1.49%	1.49%	1.49%	1.49%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**21.32%**	**18.79%**	**25.33%**	**16.51%**	**19.24%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**21.91%**	**19.38%**	**25.92%**	**17.00%**	**19.73%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	**80% to 120%**	**Under 70% or Over 130%**
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	16.34%	13.62%	21.37%	12.09%	14.80%
July 1, 2013 to June 30, 2015	21.32%	18.79%	25.33%	16.51%	19.24%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Tualatin

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$14,768,658	$11,448,563
Allocated pre-SLGRP pooled liability/(surplus)	(1,890,410)	(1,827,231)
Transition liability/(surplus)	1,608,000	1,632,010
Allocated pooled OPSRP UAL	158,070	110,361
Side account	0	0
Net unfunded pension actuarial accrued liability	14,644,318	11,363,703
Combined valuation payroll	9,264,274	8,888,402
Net pension UAL as a percentage of payroll	158%	128%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	1.49%	1.51%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$239,996	$319,791
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$1,319,613	$76,274	5.65%	$1,758,990	$99,383
Tier 2 General Service	10.42%	1,947,160	202,894	10.34%	1,682,054	173,924
Total General Service		**3,266,773**	**279,168**		**3,441,044**	**273,307**
Tier 1 Police & Fire	15.06%	1,061,590	159,875	14.74%	1,142,483	168,402
Tier 2 Police & Fire	15.12%	1,004,562	151,890	15.03%	967,051	145,348
Total Police & Fire		**2,066,152**	**311,765**		**2,109,534**	**313,750**
Total		**$5,332,925**	**$590,933**		**$5,550,578**	**$587,057**
Employer normal cost rate						
General Service			**8.55%**			**7.94%**
Police & Fire			**15.09%**			**14.87%**
Aggregate (Default)			**11.08%**			**10.58%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$1,632,010
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	1.62%
B. Actual employer payroll	4,470,470
C. Payment to transition liability/(surplus)	72,422
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	1.48%
B. Actual employer payroll	4,777,031
C. Payment to transition liability/(surplus)	70,699
4. Supplemental payment to transition liability	0
5. Interest	119,111
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$1,608,000**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	1,608,000	1,632,010
2. Combined valuation payroll	9,264,274	8,888,402
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**1.49%**	**1.51%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	9,264,274	8,888,402
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Turner/2228
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Turner/2228

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Turner/2228

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Turner -- #2228

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Turner to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Turner.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Turner

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	11.87%	10.42%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(0.66%)	(0.66%)	(0.66%)	(0.66%)	(0.66%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**21.72%**	**20.27%**	**24.97%**	**16.12%**	**18.85%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**22.31%**	**20.86%**	**25.56%**	**16.61%**	**19.34%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	17.13%	15.61%	20.66%	11.85%	14.56%
July 1, 2013 to June 30, 2015	21.72%	20.27%	24.97%	16.12%	18.85%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Turner

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$518,747	$531,332
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(24,963)	(24,816)
Allocated pooled OPSRP UAL	5,552	5,122
Side account	0	0
Net unfunded pension actuarial accrued liability	499,336	511,638
Combined valuation payroll	325,406	412,514
Net pension UAL as a percentage of payroll	153%	124%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(0.66%)	(0.50%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$8,430	$14,842
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	128,472	13,387	10.34%	127,692	13,203
Total General Service		**128,472**	**13,387**		**127,692**	**13,203**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	57,237	8,654	15.03%	55,863	8,396
Total Police & Fire		**57,237**	**8,654**		**55,863**	**8,396**
Total		**$185,709**	**$22,041**		**$183,555**	**$21,599**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**11.87%**			**11.77%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($24,816)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.52%)
B. Actual employer payroll	191,885
C. Payment to transition liability/(surplus)	(998)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.46%)
B. Actual employer payroll	153,259
C. Payment to transition liability/(surplus)	(704)
4. Supplemental payment to transition liability	0
5. Interest	(1,849)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($24,963)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(24,963)	(24,816)
2. Combined valuation payroll	325,406	412,514
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.66%)**	**(0.50%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	325,406	412,514
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Umatilla/2175
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
City of Umatilla/2175

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Umatilla/2175

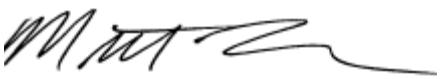
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Umatilla -- #2175

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Umatilla to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Umatilla.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Umatilla

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.31%	8.73%	15.08%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(9.42%)	(9.42%)	(9.42%)	(9.42%)	(9.42%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**9.64%**	**8.06%**	**14.41%**	**5.60%**	**8.33%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**10.23%**	**8.65%**	**15.00%**	**6.09%**	**8.82%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	5.03%	3.24%	10.18%	0.95%	3.66%
July 1, 2013 to June 30, 2015	9.64%	8.06%	14.41%	5.60%	8.33%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Umatilla

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$2,440,225	$1,837,722
Allocated pre-SLGRP pooled liability/(surplus)	(312,352)	(293,307)
Transition liability/(surplus)	(1,675,784)	(1,699,154)
Allocated pooled OPSRP UAL	26,118	17,715
Side account	0	0
Net unfunded pension actuarial accrued liability	478,207	(137,024)
Combined valuation payroll	1,530,736	1,426,765
Net pension UAL as a percentage of payroll	31%	(10%)
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(9.42%)	(9.81%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$39,654	$51,333
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$234,662	$13,563	5.65%	$231,342	$13,071
Tier 2 General Service	10.42%	408,002	42,514	10.34%	394,158	40,756
Total General Service		**642,664**	**56,077**		**625,500**	**53,827**
Tier 1 Police & Fire	15.06%	138,170	20,808	14.74%	131,955	19,450
Tier 2 Police & Fire	15.12%	76,076	11,503	15.03%	72,755	10,935
Total Police & Fire		**214,246**	**32,311**		**204,710**	**30,385**
Total		**$856,910**	**$88,388**		**$830,210**	**$84,212**
Employer normal cost rate						
General Service			**8.73%**			**8.61%**
Police & Fire			**15.08%**			**14.84%**
Aggregate (Default)			**10.31%**			**10.14%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,699,154)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(9.49%)
B. Actual employer payroll	757,865
C. Payment to transition liability/(surplus)	(70,617)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(9.66%)
B. Actual employer payroll	795,906
C. Payment to transition liability/(surplus)	(76,885)
4. Supplemental payment to transition liability	0
5. Interest	(124,132)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($1,675,784)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,675,784)	(1,699,154)
2. Combined valuation payroll	1,530,736	1,426,765
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(9.42%)**	**(9.81%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,530,736	1,426,765
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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503 227 0634

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Vale/2145
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Vale/2145

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Vale/2145

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Vale -- #2145

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Vale to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Vale.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Vale

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.37%	7.27%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	6.75%	6.75%	6.75%	6.75%	6.75%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**22.87%**	**22.77%**	**30.60%**	**21.77%**	**24.50%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**23.46%**	**23.36%**	**31.19%**	**22.26%**	**24.99%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	17.54%	17.50%	26.20%	16.52%	19.23%
July 1, 2013 to June 30, 2015	22.87%	22.77%	30.60%	21.77%	24.50%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Vale

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$589,243	$488,410
Allocated pre-SLGRP pooled liability/(surplus)	(75,424)	(77,952)
Transition liability/(surplus)	289,929	292,642
Allocated pooled OPSRP UAL	6,307	4,708
Side account	0	0
Net unfunded pension actuarial accrued liability	810,055	707,808
Combined valuation payroll	369,628	379,190
Net pension UAL as a percentage of payroll	219%	187%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	6.75%	6.36%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$9,575	$13,643
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$185,139	$10,701	5.65%	$124,804	$7,051
Tier 2 General Service	10.42%	87,635	9,132	10.34%	101,649	10,511
Total General Service		**272,774**	**19,833**		**226,453**	**17,562**
Tier 1 Police & Fire	15.06%	793	119	14.74%	968	143
Tier 2 Police & Fire	15.12%	2,650	401	15.03%	3,221	484
Total Police & Fire		**3,443**	**520**		**4,189**	**627**
Total		**$276,217**	**$20,353**		**$230,642**	**$18,189**
Employer normal cost rate						
General Service			**7.27%**			**7.76%**
Police & Fire			**15.10%**			**14.97%**
Aggregate (Default)			**7.37%**			**7.89%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$292,642
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	6.06%
B. Actual employer payroll	186,235
C. Payment to transition liability/(surplus)	11,286
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	5.91%
B. Actual employer payroll	218,334
C. Payment to transition liability/(surplus)	12,903
4. Supplemental payment to transition liability	0
5. Interest	21,476
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$289,929**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	289,929	292,642
2. Combined valuation payroll	369,628	379,190
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**6.75%**	**6.36%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	369,628	379,190
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Veneta/2285
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Veneta/2285

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Veneta/2285

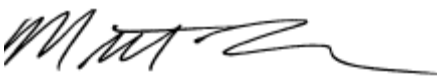
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Veneta -- #2285

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Veneta to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Veneta.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Veneta

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.70%	7.70%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(2.95%)	(2.95%)	(2.95%)	(2.95%)	(2.95%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**13.50%**	**13.50%**	**20.89%**	**12.07%**	**14.80%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.09%**	**14.09%**	**21.48%**	**12.56%**	**15.29%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.13%	9.13%	17.19%	7.96%	10.67%
July 1, 2013 to June 30, 2015	13.50%	13.50%	20.89%	12.07%	14.80%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Veneta

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,114,127	$1,036,925
Allocated pre-SLGRP pooled liability/(surplus)	(142,610)	(165,497)
Transition liability/(surplus)	(239,924)	(243,497)
Allocated pooled OPSRP UAL	11,925	9,996
Side account	0	0
Net unfunded pension actuarial accrued liability	743,518	637,927
Combined valuation payroll	698,884	805,045
Net pension UAL as a percentage of payroll	106%	79%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(2.95%)	(2.49%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$18,105	$28,964
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$270,810	$15,653	5.65%	$386,631	$21,845
Tier 2 General Service	10.42%	190,850	19,887	10.34%	116,185	12,014
Total General Service		**461,660**	**35,540**		**502,816**	**33,859**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$461,660**	**$35,540**		**$502,816**	**$33,859**
Employer normal cost rate						
General Service			**7.70%**			**6.73%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.70%**			**6.73%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($243,497)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.80%)
B. Actual employer payroll	382,937
C. Payment to transition liability/(surplus)	(10,722)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.65%)
B. Actual employer payroll	400,839
C. Payment to transition liability/(surplus)	(10,623)
4. Supplemental payment to transition liability	0
5. Interest	(17,772)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($239,924)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(239,924)	(243,497)
2. Combined valuation payroll	698,884	805,045
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.95%)**	**(2.49%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	698,884	805,045
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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503 227 0634

September 28, 2012

City of Vernonia/2125
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Vernonia/2125

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Vernonia/2125

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Vernonia -- #2125

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Vernonia to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Vernonia.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Vernonia

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.14%	9.14%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(6.01%)	(6.01%)	(6.01%)	(6.01%)	(6.01%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**11.88%**	**11.88%**	**17.83%**	**9.01%**	**11.74%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**12.47%**	**12.47%**	**18.42%**	**9.50%**	**12.23%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	5.10%	5.10%	12.16%	2.93%	5.64%
July 1, 2013 to June 30, 2015	11.88%	11.88%	17.83%	9.01%	11.74%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Vernonia

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$961,414	$795,060
Allocated pre-SLGRP pooled liability/(surplus)	(123,062)	(126,894)
Transition liability/(surplus)	(421,096)	(429,427)
Allocated pooled OPSRP UAL	10,290	7,664
Side account	0	0
Net unfunded pension actuarial accrued liability	427,546	246,403
Combined valuation payroll	603,088	617,266
Net pension UAL as a percentage of payroll	71%	40%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(6.01%)	(5.73%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$15,623	$22,208
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$64,593	$3,733	5.65%	$58,827	$3,324
Tier 2 General Service	10.42%	169,457	17,657	10.34%	145,095	15,003
Total General Service		**234,050**	**21,390**		**203,922**	**18,327**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$234,050**	**$21,390**		**$203,922**	**$18,327**
Employer normal cost rate						
General Service			**9.14%**			**8.99%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.14%**			**8.99%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($429,427)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(5.41%)
B. Actual employer payroll	295,478
C. Payment to transition liability/(surplus)	(15,985)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(7.68%)
B. Actual employer payroll	306,479
C. Payment to transition liability/(surplus)	(23,538)
4. Supplemental payment to transition liability	0
5. Interest	(31,192)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($421,096)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(421,096)	(429,427)
2. Combined valuation payroll	603,088	617,266
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(6.01%)**	**(5.73%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	603,088	617,266
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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503 227 0634

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Wallowa/2200
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012
City of Wallowa/2200

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Wallowa/2200

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Wallowa -- #2200

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Wallowa to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Wallowa.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Wallowa

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.46%	9.46%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(6.84%)	(6.84%)	(6.84%)	(6.84%)	(6.84%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**11.37%**	**11.37%**	**17.00%**	**8.18%**	**10.91%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**11.96%**	**11.96%**	**17.59%**	**8.67%**	**11.40%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	0.68%	0.68%	6.90%	0.00%	0.38%
July 1, 2013 to June 30, 2015	11.37%	11.37%	17.00%	8.18%	10.91%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Wallowa

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$209,856	$158,767
Allocated pre-SLGRP pooled liability/(surplus)	(26,862)	(25,340)
Transition liability/(surplus)	(104,676)	(109,082)
Allocated pooled OPSRP UAL	2,246	1,530
Side account	0	0
Net unfunded pension actuarial accrued liability	80,564	25,875
Combined valuation payroll	131,641	123,263
Net pension UAL as a percentage of payroll	61%	21%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(6.84%)	(7.29%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$3,410	$4,435
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$10,443	$604	5.65%	$10,136	$573
Tier 2 General Service	10.42%	39,911	4,159	10.34%	38,793	4,011
Total General Service		**50,354**	**4,763**		**48,929**	**4,584**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$50,354**	**$4,763**		**$48,929**	**$4,584**
Employer normal cost rate						
General Service			**9.46%**			**9.37%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.46%**			**9.37%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($109,082)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(7.96%)
B. Actual employer payroll	60,945
C. Payment to transition liability/(surplus)	(4,851)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(12.94%)
B. Actual employer payroll	63,497
C. Payment to transition liability/(surplus)	(7,309)
4. Supplemental payment to transition liability	0
5. Interest	(7,754)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($104,676)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(104,676)	(109,082)
2. Combined valuation payroll	131,641	123,263
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(6.84%)**	**(7.29%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	131,641	123,263
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Warrenton/2238
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Warrenton/2238

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Warrenton/2238

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Warrenton -- #2238

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Warrenton to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Warrenton.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Warrenton

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.87%	8.12%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(2.94%)	(2.94%)	(2.94%)	(2.94%)	(2.94%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**18.44%**	**15.69%**	**22.67%**	**13.84%**	**16.57%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.03%**	**16.28%**	**23.26%**	**14.33%**	**17.06%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	13.53%	10.95%	18.28%	9.25%	11.96%
July 1, 2013 to June 30, 2015	18.44%	15.69%	22.67%	13.84%	16.57%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Warrenton

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$3,216,743	$2,382,922
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(690,470)	(703,963)
Allocated pooled OPSRP UAL	34,429	22,971
Side account	0	0
Net unfunded pension actuarial accrued liability	2,560,702	1,701,930
Combined valuation payroll	2,017,840	1,850,046
Net pension UAL as a percentage of payroll	127%	92%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.94%)	(3.14%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$52,273	$66,562
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$378,533	$21,879	5.65%	$376,415	$21,267
Tier 2 General Service	10.42%	383,556	39,967	10.34%	438,628	45,354
Total General Service		**762,089**	**61,846**		**815,043**	**66,621**
Tier 1 Police & Fire	15.06%	126,742	19,087	14.74%	125,209	18,456
Tier 2 Police & Fire	15.12%	368,911	55,779	15.03%	355,452	53,424
Total Police & Fire		**495,653**	**74,866**		**480,661**	**71,880**
Total		**$1,257,742**	**$136,712**		**$1,295,704**	**$138,501**
Employer normal cost rate						
General Service			**8.12%**			**8.17%**
Police & Fire			**15.10%**			**14.95%**
Aggregate (Default)			**10.87%**			**10.69%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($703,963)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.21%)
B. Actual employer payroll	1,018,988
C. Payment to transition liability/(surplus)	(32,710)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(3.06%)
B. Actual employer payroll	1,043,476
C. Payment to transition liability/(surplus)	(31,929)
4. Supplemental payment to transition liability	0
5. Interest	(51,146)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($690,470)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(690,470)	(703,963)
2. Combined valuation payroll	2,017,840	1,850,046
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.94%)**	**(3.14%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	2,017,840	1,850,046
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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503 227 0634

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of West Linn/2126
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of West Linn/2126

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of West Linn/2126

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of West Linn -- #2126

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of West Linn to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of West Linn.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of West Linn

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.10%	7.89%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(3.85%)	(3.85%)	(3.85%)	(3.85%)	(3.85%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.76%**	**14.55%**	**21.75%**	**12.93%**	**15.66%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.35%**	**15.14%**	**22.34%**	**13.42%**	**16.15%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.19%	10.07%	17.79%	8.52%	11.23%
July 1, 2013 to June 30, 2015	16.76%	14.55%	21.75%	12.93%	15.66%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of West Linn

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$13,362,400	$10,466,202
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(3,754,030)	(3,794,441)
Allocated pooled OPSRP UAL	143,019	100,891
Side account	0	0
Net unfunded pension actuarial accrued liability	9,751,389	6,772,652
Combined valuation payroll	8,382,138	8,125,719
Net pension UAL as a percentage of payroll	116%	83%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.85%)	(3.85%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$217,144	$292,351
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$1,991,085	$115,085	5.65%	$1,833,097	$103,570
Tier 2 General Service	10.42%	1,664,350	173,425	10.34%	1,772,476	183,274
Total General Service		**3,655,435**	**288,510**		**3,605,573**	**286,844**
Tier 1 Police & Fire	15.06%	834,197	125,630	14.74%	721,193	106,304
Tier 2 Police & Fire	15.12%	782,851	118,367	15.03%	725,515	109,045
Total Police & Fire		**1,617,048**	**243,997**		**1,446,708**	**215,349**
Total		**$5,272,483**	**$532,507**		**$5,052,281**	**$502,193**
Employer normal cost rate						
General Service			**7.89%**			**7.96%**
Police & Fire			**15.09%**			**14.89%**
Aggregate (Default)			**10.10%**			**9.94%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($3,794,441)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.79%)
B. Actual employer payroll	4,095,811
C. Payment to transition liability/(surplus)	(155,231)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(3.79%)
B. Actual employer payroll	4,307,539
C. Payment to transition liability/(surplus)	(163,256)
4. Supplemental payment to transition liability	0
5. Interest	(278,076)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($3,754,030)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	**December 31, 2010**
1. Total transition liability/(surplus)	(3,754,030)	(3,794,441)
2. Combined valuation payroll	8,382,138	8,125,719
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.85%)**	**(3.85%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	8,382,138	8,125,719
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Wheeler/2147
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Wheeler/2147

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Wheeler/2147

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Wheeler -- #2147

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Wheeler to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Wheeler.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Wheeler

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.15%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(4.35%)	(4.35%)	(4.35%)	(4.35%)	(4.35%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.31%**	**14.08%**	**21.25%**	**12.43%**	**15.16%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.90%**	**14.67%**	**21.84%**	**12.92%**	**15.65%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	4.47%	4.47%	14.03%	4.80%	7.51%
July 1, 2013 to June 30, 2015	15.31%	14.08%	21.25%	12.43%	15.16%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Wheeler

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$66,776	$61,475
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(21,168)	(25,786)
Allocated pooled OPSRP UAL	715	593
Side account	0	0
Net unfunded pension actuarial accrued liability	46,323	36,282
Combined valuation payroll	41,888	47,728
Net pension UAL as a percentage of payroll	111%	76%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.35%)	(4.45%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,085	$1,717
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$0**	**$0**		**$0**	**$0**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.15%**			**8.96%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($25,786)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(7.51%)
B. Actual employer payroll	35,133
C. Payment to transition liability/(surplus)	(2,638)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(7.51%)
B. Actual employer payroll	47,226
C. Payment to transition liability/(surplus)	(3,548)
4. Supplemental payment to transition liability	0
5. Interest	(1,568)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($21,168)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(21,168)	(25,786)
2. Combined valuation payroll	41,888	47,728
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.35%)**	**(4.45%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	41,888	47,728
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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503 227 0634

September 28, 2012

City of Wilsonville/2240
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Wilsonville/2240

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012
City of Wilsonville/2240

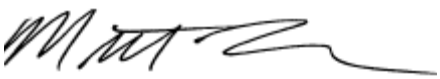
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Wilsonville -- #2240

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Wilsonville to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Wilsonville.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Wilsonville

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.85%	7.85%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.55%)	(0.55%)	(0.55%)	(0.55%)	(0.55%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.05%**	**16.05%**	**23.29%**	**14.47%**	**17.20%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.64%**	**16.64%**	**23.88%**	**14.96%**	**17.69%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.44%	11.44%	19.28%	10.05%	12.76%
July 1, 2013 to June 30, 2015	16.05%	16.05%	23.29%	14.47%	17.20%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Wilsonville

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$13,190,413	$10,742,900
Allocated pre-SLGRP pooled liability/(surplus)	(1,688,392)	(1,714,604)
Transition liability/(surplus)	(531,908)	(541,090)
Allocated pooled OPSRP UAL	141,178	103,558
Side account	0	0
Net unfunded pension actuarial accrued liability	11,111,291	8,590,764
Combined valuation payroll	8,274,252	8,340,541
Net pension UAL as a percentage of payroll	134%	103%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.55%)	(0.53%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$214,349	$300,079
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$2,895,717	$167,372	5.65%	$2,973,705	$168,014
Tier 2 General Service	10.42%	2,322,446	241,999	10.34%	2,428,502	251,107
Total General Service		**5,218,163**	**409,371**		**5,402,207**	**419,121**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$5,218,163**	**$409,371**		**$5,402,207**	**$419,121**
Employer normal cost rate						
General Service			**7.85%**			**7.76%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.85%**			**7.76%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($541,090)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.59%)
B. Actual employer payroll	4,183,973
C. Payment to transition liability/(surplus)	(24,685)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.56%)
B. Actual employer payroll	4,267,395
C. Payment to transition liability/(surplus)	(23,898)
4. Supplemental payment to transition liability	0
5. Interest	(39,401)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($531,908)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(531,908)	(541,090)
2. Combined valuation payroll	8,274,252	8,340,541
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.55%)**	**(0.53%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	8,274,252	8,340,541
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Winston/2280
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Winston/2280

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Winston/2280

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Winston -- #2280

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Winston to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Winston.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Winston

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	11.97%	8.36%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(8.63%)	(8.63%)	(8.63%)	(8.63%)	(8.63%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**12.09%**	**8.48%**	**15.21%**	**6.39%**	**9.12%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**12.68%**	**9.07%**	**15.80%**	**6.88%**	**9.61%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	6.95%	3.68%	11.03%	1.80%	4.51%
July 1, 2013 to June 30, 2015	12.09%	8.48%	15.21%	6.39%	9.12%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Winston

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,941,326	$1,470,763
Allocated pre-SLGRP pooled liability/(surplus)	(248,493)	(234,739)
Transition liability/(surplus)	(1,221,418)	(1,242,126)
Allocated pooled OPSRP UAL	20,778	14,178
Side account	0	0
Net unfunded pension actuarial accrued liability	492,193	8,076
Combined valuation payroll	1,217,780	1,141,867
Net pension UAL as a percentage of payroll	40%	1%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(8.63%)	(8.96%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$31,547	$41,083
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$116,515	$6,735	5.65%	$113,999	$6,441
Tier 2 General Service	10.42%	146,506	15,266	10.34%	143,325	14,820
Total General Service		**263,021**	**22,001**		**257,324**	**21,261**
Tier 1 Police & Fire	15.06%	152,148	22,913	14.74%	148,074	21,826
Tier 2 Police & Fire	15.12%	151,120	22,849	15.03%	150,457	22,614
Total Police & Fire		**303,268**	**45,762**		**298,531**	**44,440**
Total		**$566,289**	**$67,763**		**$555,855**	**$65,701**
Employer normal cost rate						
General Service			**8.36%**			**8.26%**
Police & Fire			**15.09%**			**14.89%**
Aggregate (Default)			**11.97%**			**11.82%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,242,126)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(10.06%)
B. Actual employer payroll	585,101
C. Payment to transition liability/(surplus)	(56,141)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(8.81%)
B. Actual employer payroll	624,771
C. Payment to transition liability/(surplus)	(55,042)
4. Supplemental payment to transition liability	0
5. Interest	(90,475)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,221,418)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,221,418)	(1,242,126)
2. Combined valuation payroll	1,217,780	1,141,867
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(8.63%)**	**(8.96%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,217,780	1,141,867
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Wood Village/2185
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Wood Village/2185

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

City of Wood Village/2185

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Wood Village -- #2185

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Wood Village to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Wood Village.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Wood Village

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.13%	7.13%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.49%	10.49%	10.49%	10.49%	10.49%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(1.67%)	(1.67%)	(1.67%)	(1.67%)	(1.67%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**14.34%**	**14.34%**	**22.30%**	**13.48%**	**16.21%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.93%**	**14.93%**	**22.89%**	**13.97%**	**16.70%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.27%	10.27%	18.60%	9.37%	12.08%
July 1, 2013 to June 30, 2015	14.34%	14.34%	22.30%	13.48%	16.21%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Wood Village

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,313,658	$1,105,978
Allocated pre-SLGRP pooled liability/(surplus)	(168,150)	(176,518)
Transition liability/(surplus)	(160,363)	(161,516)
Allocated pooled OPSRP UAL	14,060	10,661
Side account	0	0
Net unfunded pension actuarial accrued liability	999,205	778,605
Combined valuation payroll	824,048	858,656
Net pension UAL as a percentage of payroll	121%	91%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(1.67%)	(1.55%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$21,347	$30,893
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$338,603	$19,571	5.65%	$442,278	$24,989
Tier 2 General Service	10.42%	139,185	14,503	10.34%	134,248	13,881
Total General Service		**477,788**	**34,074**		**576,526**	**38,870**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$477,788**	**$34,074**		**$576,526**	**$38,870**
Employer normal cost rate						
General Service			**7.13%**			**6.74%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.13%**			**6.74%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($161,516)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.85%)
B. Actual employer payroll	394,234
C. Payment to transition liability/(surplus)	(7,293)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.36%)
B. Actual employer payroll	421,935
C. Payment to transition liability/(surplus)	(5,739)
4. Supplemental payment to transition liability	0
5. Interest	(11,879)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($160,363)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(160,363)	(161,516)
2. Combined valuation payroll	824,048	858,656
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.67%)**	**(1.55%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	824,048	858,656
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Woodburn/2303
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Woodburn/2303

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Woodburn/2303

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Woodburn -- #2303

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for City of Woodburn to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Woodburn.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Woodburn

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.21%	7.97%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(1.73%)	(1.73%)	(1.73%)	(1.73%)	(1.73%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.23%**	**14.99%**	**22.12%**	**13.29%**	**16.02%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.82%**	**15.58%**	**22.71%**	**13.78%**	**16.51%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.64%	10.51%	18.08%	8.85%	11.56%
July 1, 2013 to June 30, 2015	17.23%	14.99%	22.12%	13.29%	16.02%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Woodburn

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$13,983,062	$10,985,122
Allocated pre-SLGRP pooled liability/(surplus)	(1,789,853)	(1,753,264)
Transition liability/(surplus)	(1,763,738)	(1,788,520)
Allocated pooled OPSRP UAL	149,662	105,893
Side account	0	0
Net unfunded pension actuarial accrued liability	10,579,133	7,549,231
Combined valuation payroll	8,771,475	8,528,597
Net pension UAL as a percentage of payroll	121%	89%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(1.73%)	(1.73%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$227,229	$306,845
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$1,909,610	$110,375	5.65%	$1,833,584	$103,597
Tier 2 General Service	10.42%	1,701,835	177,331	10.34%	1,845,237	190,798
Total General Service		**3,611,445**	**287,706**		**3,678,821**	**294,395**
Tier 1 Police & Fire	15.06%	687,837	103,588	14.74%	755,109	111,303
Tier 2 Police & Fire	15.12%	969,803	146,634	15.03%	783,922	117,823
Total Police & Fire		**1,657,640**	**250,222**		**1,539,031**	**229,126**
Total		**$5,269,085**	**$537,928**		**$5,217,852**	**$523,521**
Employer normal cost rate						
General Service			**7.97%**			**8.00%**
Police & Fire			**15.10%**			**14.89%**
Aggregate (Default)			**10.21%**			**10.03%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,788,520)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.83%)
B. Actual employer payroll	4,361,212
C. Payment to transition liability/(surplus)	(79,810)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.76%)
B. Actual employer payroll	4,296,473
C. Payment to transition liability/(surplus)	(75,619)
4. Supplemental payment to transition liability	0
5. Interest	(130,647)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,763,738)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,763,738)	(1,788,520)
2. Combined valuation payroll	8,771,475	8,528,597
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.73%)**	**(1.73%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	8,771,475	8,528,597
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Yachats/2300
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
City of Yachats/2300

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Yachats/2300

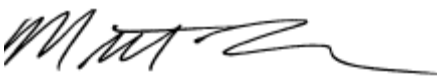
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Yachats -- #2300

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Yachats to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Yachats.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Yachats

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.43%	8.43%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(5.49%)	(5.49%)	(5.49%)	(5.49%)	(5.49%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**13.45%**	**13.45%**	**20.11%**	**11.29%**	**14.02%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.04%**	**14.04%**	**20.70%**	**11.78%**	**14.51%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	8.96%	8.96%	16.09%	6.86%	9.57%
July 1, 2013 to June 30, 2015	13.45%	13.45%	20.11%	11.29%	14.02%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Yachats

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$785,678	$636,513
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(314,473)	(319,796)
Allocated pooled OPSRP UAL	8,409	6,136
Side account	0	0
Net unfunded pension actuarial accrued liability	479,614	322,853
Combined valuation payroll	492,850	494,174
Net pension UAL as a percentage of payroll	97%	65%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.49%)	(5.33%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$12,768	$17,780
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$134,434	$7,770	5.65%	$131,024	$7,403
Tier 2 General Service	10.42%	179,519	18,706	10.34%	183,095	18,932
Total General Service		**313,953**	**26,476**		**314,119**	**26,335**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$313,953**	**$26,476**		**$314,119**	**$26,335**
Employer normal cost rate						
General Service			**8.43%**			**8.38%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.43%**			**8.38%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($319,796)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(5.94%)
B. Actual employer payroll	244,198
C. Payment to transition liability/(surplus)	(14,505)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.45%)
B. Actual employer payroll	258,939
C. Payment to transition liability/(surplus)	(14,112)
4. Supplemental payment to transition liability	0
5. Interest	(23,294)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($314,473)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(314,473)	(319,796)
2. Combined valuation payroll	492,850	494,174
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(5.49%)**	**(5.33%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	492,850	494,174
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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503 227 0634

September 28, 2012

City of Yamhill/2214
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
City of Yamhill/2214

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Yamhill/2214

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Yamhill -- #2214

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Yamhill to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Yamhill.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Yamhill

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	12.11%	9.04%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(6.67%)	(6.67%)	(6.67%)	(6.67%)	(6.67%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.95%**	**12.88%**	**18.94%**	**10.11%**	**12.84%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.54%**	**13.47%**	**19.53%**	**10.60%**	**13.33%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.12%	7.70%	14.03%	4.86%	7.57%
July 1, 2013 to June 30, 2015	15.95%	12.88%	18.94%	10.11%	12.84%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Yamhill

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$546,875	$488,850
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(266,001)	(275,678)
Allocated pooled OPSRP UAL	5,853	4,712
Side account	0	0
Net unfunded pension actuarial accrued liability	286,727	217,884
Combined valuation payroll	343,051	379,532
Net pension UAL as a percentage of payroll	84%	57%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(6.67%)	(5.99%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$8,887	$13,655
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$39,977	$2,311	5.65%	$39,951	$2,257
Tier 2 General Service	10.42%	94,585	9,856	10.34%	94,170	9,737
Total General Service		**134,562**	**12,167**		**134,121**	**11,994**
Tier 1 Police & Fire	15.06%	56,764	8,549	14.74%	55,457	8,174
Tier 2 Police & Fire	15.12%	81,579	12,335	15.03%	75,661	11,372
Total Police & Fire		**138,343**	**20,884**		**131,118**	**19,546**
Total		**$272,905**	**$33,051**		**$265,239**	**$31,540**
Employer normal cost rate						
General Service			**9.04%**			**8.94%**
Police & Fire			**15.10%**			**14.91%**
Aggregate (Default)			**12.11%**			**11.89%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($275,678)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(9.05%)
B. Actual employer payroll	182,373
C. Payment to transition liability/(surplus)	(16,505)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(7.45%)
B. Actual employer payroll	172,840
C. Payment to transition liability/(surplus)	(12,876)
4. Supplemental payment to transition liability	0
5. Interest	(19,704)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($266,001)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(266,001)	(275,678)
2. Combined valuation payroll	343,051	379,532
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(6.67%)**	**(5.99%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	343,051	379,532
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

City of Yoncalla/2307
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
City of Yoncalla/2307

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
City of Yoncalla/2307

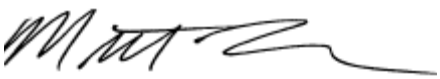
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Yoncalla -- #2307

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for City of Yoncalla to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Yoncalla.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of Yoncalla

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.37%)	(0.37%)	(0.37%)	(0.37%)	(0.37%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**18.80%**	**18.80%**	**23.47%**	**14.65%**	**17.38%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.39%**	**19.39%**	**24.06%**	**15.14%**	**17.87%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.04%	14.04%	19.51%	10.28%	12.99%
July 1, 2013 to June 30, 2015	18.80%	18.80%	23.47%	14.65%	17.38%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Yoncalla

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$251,261	$214,330
Allocated pre-SLGRP pooled liability/(surplus)	(32,162)	(34,208)
Transition liability/(surplus)	(6,766)	(6,809)
Allocated pooled OPSRP UAL	2,689	2,066
Side account	0	0
Net unfunded pension actuarial accrued liability	215,022	175,379
Combined valuation payroll	157,614	166,401
Net pension UAL as a percentage of payroll	136%	105%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.37%)	(0.34%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$4,083	$5,987
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	124,363	12,959	10.34%	110,651	11,441
Total General Service		**124,363**	**12,959**		**110,651**	**11,441**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$124,363**	**$12,959**		**$110,651**	**$11,441**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($6,809)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.31%)
B. Actual employer payroll	78,946
C. Payment to transition liability/(surplus)	(245)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.33%)
B. Actual employer payroll	90,643
C. Payment to transition liability/(surplus)	(299)
4. Supplemental payment to transition liability	0
5. Interest	(501)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($6,766)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(6,766)	(6,809)
2. Combined valuation payroll	157,614	166,401
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.37%)**	**(0.34%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	157,614	166,401
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Clackamas Community College/2908
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Clackamas Community College/2908

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Clackamas Community College/2908

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Clackamas Community College -- #2908

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Clackamas Community College to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Clackamas Community College.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Clackamas Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.07%	8.07%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	1.86%	1.86%	1.86%	1.86%	1.86%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(7.39%)	(7.39%)	(7.39%)	(7.39%)	(7.39%)
Net pension contribution rate	**13.05%**	**13.05%**	**20.07%**	**11.25%**	**13.98%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.64%**	**13.64%**	**20.66%**	**11.74%**	**14.47%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	8.42%	8.42%	16.08%	6.85%	9.56%
July 1, 2013 to June 30, 2015	13.05%	13.05%	20.07%	11.25%	13.98%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Clackamas Community College

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$43,647,349	$35,867,538
Allocated pre-SLGRP pooled liability/(surplus)	5,932,068	6,107,083
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	467,162	345,752
Side account	23,510,478	25,291,205
Net unfunded pension actuarial accrued liability	26,536,101	17,029,168
Combined valuation payroll	27,379,671	27,846,734
Net pension UAL as a percentage of payroll	97%	61%
Pre-SLGRP pooled rate	1.86%	1.81%
Transition rate	0.00%	0.00%
Side account rate relief	(7.39%)	(7.48%)
Allocated pooled RHIA UAL	$709,284	$1,001,881
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$126,008,735	$7,283,305	5.65%	$135,189,476	$7,638,205
Tier 2 General Service	10.42%	123,113,364	12,828,413	10.34%	125,634,641	12,990,622
Total General Service		**249,122,099**	**20,111,718**		**260,824,117**	**20,628,827**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$249,122,099**	**$20,111,718**		**$260,824,117**	**$20,628,827**
Employer normal cost rate						
General Service			**8.07%**			**7.91%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.07%**			**7.91%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	403,407,903	413,952,327
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$25,291,205**	**$25,291,205**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(2,474,619)	(2,474,619)
5. Side account earnings during 2011		695,892	695,892
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$23,510,478**	**$23,510,478**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$12,412,634	$13,349,018
Side Account 2	11,097,844	11,942,186
Side Account 3	0	0
Total	**$23,510,478**	**$25,291,205**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$23,510,478	$25,291,205
2. Combined valuation payroll	27,379,671	27,846,734
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(7.39%)	(7.48%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Clackamas County Fire District/2745
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Clackamas County Fire District/2745

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Clackamas County Fire District/2745

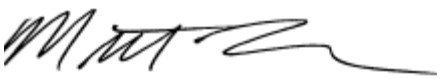
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Clackamas County Fire District -- #2745

SEPTEMBER 2012

Secondary Employers

2164	Milwaukie Central Dispatch
2517	Clackamas Fire District #1
2523	Oak Lodge Fire Department
2537	Clackamas Fire Protection District #71
2546	Happy Valley Fire District
2548	Multnomah Rural Fire Protection District #12
2574	Clackamas County Rural Fire Protection District #54
2583	Beavercreek Fire District
2591	Clackamas County Rural Fire Protection District #68

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Clackamas County Fire District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Clackamas County Fire District.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Clackamas County Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.56%	8.95%	15.08%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(4.02%)	(4.02%)	(4.02%)	(4.02%)	(4.02%)
Net pension contribution rate	**21.05%**	**15.44%**	**21.57%**	**12.76%**	**15.49%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**21.64%**	**16.03%**	**22.16%**	**13.25%**	**15.98%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	16.96%	10.62%	17.50%	8.09%	10.80%
July 1, 2013 to June 30, 2015	21.05%	15.44%	21.57%	12.76%	15.49%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Clackamas County Fire District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$31,846,383	$26,388,695
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	340,855	254,379
Side account	9,335,771	10,204,397
Net unfunded pension actuarial accrued liability	22,851,467	16,438,677
Combined valuation payroll	19,977,009	20,487,578
Net pension UAL as a percentage of payroll	114%	80%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	0.00%	0.00%
Side account rate relief	(4.02%)	(4.10%)
Allocated pooled RHIA UAL	$517,514	$737,111
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$392,568	$22,690	5.65%	$370,922	$20,957
Tier 2 General Service	10.42%	848,103	88,372	10.34%	827,571	85,571
Total General Service		**1,240,671**	**111,062**		**1,198,493**	**106,528**
Tier 1 Police & Fire	15.06%	8,801,910	1,325,568	14.74%	10,085,182	1,486,556
Tier 2 Police & Fire	15.12%	4,438,740	671,137	15.03%	4,254,576	639,463
Total Police & Fire		**13,240,650**	**1,996,705**		**14,339,758**	**2,126,019**
Total		**$14,481,321**	**$2,107,767**		**$15,538,251**	**$2,232,547**
Employer normal cost rate						
General Service			**8.95%**			**8.89%**
Police & Fire			**15.08%**			**14.83%**
Aggregate (Default)			**14.56%**			**14.37%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	19,977,009	20,487,578
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$10,204,397**	**$10,204,397**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(1,146,592)	(1,146,592)
5. Side account earnings during 2011		278,965	278,965
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$9,335,771**	**$9,335,771**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$9,335,771	$10,204,397
Side Account 2	0	0
Side Account 3	0	0
Total	**$9,335,771**	**$10,204,397**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$9,335,771	$10,204,397
2. Combined valuation payroll	19,977,009	20,487,578
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(4.02%)	(4.10%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Clackamas River Water/2761
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Clackamas River Water/2761

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Clackamas River Water/2761

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Clackamas River Water -- #2761

SEPTEMBER 2012

Secondary Employers

2634 Clairmont Water

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Clackamas River Water to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Clackamas River Water.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Clackamas River Water

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.78%	8.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	2.65%	2.65%	2.65%	2.65%	2.65%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**20.18%**	**20.18%**	**26.49%**	**17.67%**	**20.40%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.77%**	**20.77%**	**27.08%**	**18.16%**	**20.89%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.80%	15.80%	22.65%	13.42%	16.13%
July 1, 2013 to June 30, 2015	20.18%	20.18%	26.49%	17.67%	20.40%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Clackamas River Water

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$4,372,307	$3,291,102
Allocated pre-SLGRP pooled liability/(surplus)	(559,662)	(525,271)
Transition liability/(surplus)	846,127	866,354
Allocated pooled OPSRP UAL	46,797	31,725
Side account	0	0
Net unfunded pension actuarial accrued liability	4,705,569	3,663,910
Combined valuation payroll	2,742,717	2,555,136
Net pension UAL as a percentage of payroll	172%	143%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	2.65%	2.79%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$71,051	$91,930
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$658,682	$38,072	5.65%	$739,912	$41,805
Tier 2 General Service	10.42%	1,206,635	125,731	10.34%	1,236,128	127,816
Total General Service		**1,865,317**	**163,803**		**1,976,040**	**169,621**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$1,865,317**	**$163,803**		**$1,976,040**	**$169,621**
Employer normal cost rate						
General Service			**8.78%**			**8.58%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.78%**			**8.58%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$866,354
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	3.42%
B. Actual employer payroll	1,328,457
C. Payment to transition liability/(surplus)	45,433
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	2.81%
B. Actual employer payroll	1,333,465
C. Payment to transition liability/(surplus)	37,470
4. Supplemental payment to transition liability	0
5. Interest	62,676
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$846,127**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	846,127	866,354
2. Combined valuation payroll	2,742,717	2,555,136
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**2.65%**	**2.79%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	2,742,717	2,555,136
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

Clackamas Vector Control/2538
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Clackamas Vector Control/2538

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Clackamas Vector Control/2538

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Clackamas Vector Control -- #2538

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Clackamas Vector Control to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Clackamas Vector Control.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Clackamas Vector Control

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.78%	5.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	6.44%	6.44%	6.44%	6.44%	6.44%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**20.97%**	**20.97%**	**30.28%**	**21.46%**	**24.19%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**21.56%**	**21.56%**	**30.87%**	**21.95%**	**24.68%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	16.74%	16.74%	26.30%	17.07%	19.78%
July 1, 2013 to June 30, 2015	20.97%	20.97%	30.28%	21.46%	24.19%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Clackamas Vector Control

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$282,632	$226,979
Allocated pre-SLGRP pooled liability/(surplus)	(36,177)	(36,227)
Transition liability/(surplus)	132,674	135,150
Allocated pooled OPSRP UAL	3,025	2,188
Side account	0	0
Net unfunded pension actuarial accrued liability	382,154	328,090
Combined valuation payroll	177,293	176,221
Net pension UAL as a percentage of payroll	216%	186%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	6.44%	6.32%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$4,593	$6,340
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$78,157	$4,517	5.65%	$79,960	$4,518
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**78,157**	**4,517**		**79,960**	**4,518**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$78,157**	**$4,517**		**$79,960**	**$4,518**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.78%**			**5.65%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$135,150
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	7.19%
B. Actual employer payroll	91,741
C. Payment to transition liability/(surplus)	6,596
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	6.46%
B. Actual employer payroll	88,350
C. Payment to transition liability/(surplus)	5,708
4. Supplemental payment to transition liability	0
5. Interest	9,828
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$132,674**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	132,674	135,150
2. Combined valuation payroll	177,293	176,221
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**6.44%**	**6.32%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	177,293	176,221
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Clatskanie Library/2707
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
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In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

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This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Clatskanie Library -- #2707

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Clatskanie Library to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Clatskanie Library.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Clatskanie Library

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	6.98%	6.98%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.57%	0.57%	0.57%	0.57%	0.57%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.30%**	**16.30%**	**24.41%**	**15.59%**	**18.32%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.89%**	**16.89%**	**25.00%**	**16.08%**	**18.81%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.82%	11.82%	20.33%	11.10%	13.81%
July 1, 2013 to June 30, 2015	16.30%	16.30%	24.41%	15.59%	18.32%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Clatskanie Library

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$102,219	$87,178
Allocated pre-SLGRP pooled liability/(surplus)	(13,084)	(13,914)
Transition liability/(surplus)	4,240	4,280
Allocated pooled OPSRP UAL	1,094	840
Side account	0	0
Net unfunded pension actuarial accrued liability	94,469	78,384
Combined valuation payroll	64,121	67,683
Net pension UAL as a percentage of payroll	147%	116%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.57%	0.52%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,661	$2,435
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$47,489	$2,745	5.65%	$46,509	$2,628
Tier 2 General Service	10.42%	16,632	1,733	10.34%	16,139	1,669
Total General Service		**64,121**	**4,478**		**62,648**	**4,297**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$64,121**	**$4,478**		**$62,648**	**$4,297**
Employer normal cost rate						
General Service			**6.98%**			**6.86%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**6.98%**			**6.86%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$4,280
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.52%
B. Actual employer payroll	35,010
C. Payment to transition liability/(surplus)	182
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.49%
B. Actual employer payroll	35,013
C. Payment to transition liability/(surplus)	172
4. Supplemental payment to transition liability	0
5. Interest	314
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$4,240**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	4,240	4,280
2. Combined valuation payroll	64,121	67,683
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.57%**	**0.52%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	64,121	67,683
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Clatskanie PUD/2526
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Clatskanie PUD/2526

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
Clatskanie PUD/2526

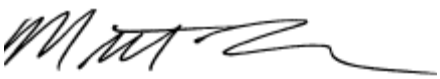
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Clatskanie PUD -- #2526

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Clatskanie PUD to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Clatskanie PUD.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Clatskanie PUD

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.18%	8.18%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	5.10%	5.10%	5.10%	5.10%	5.10%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**22.03%**	**22.03%**	**28.94%**	**20.12%**	**22.85%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**22.62%**	**22.62%**	**29.53%**	**20.61%**	**23.34%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	17.31%	17.31%	25.26%	16.03%	18.74%
July 1, 2013 to June 30, 2015	22.03%	22.03%	28.94%	20.12%	22.85%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Clatskanie PUD

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$5,360,568	$4,336,725
Allocated pre-SLGRP pooled liability/(surplus)	(686,161)	(692,156)
Transition liability/(surplus)	1,995,079	2,039,653
Allocated pooled OPSRP UAL	57,375	41,805
Side account	0	0
Net unfunded pension actuarial accrued liability	6,726,861	5,726,027
Combined valuation payroll	3,362,646	3,366,934
Net pension UAL as a percentage of payroll	200%	170%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	5.10%	4.99%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$87,111	$121,137
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$714,128	$41,277	5.65%	$797,751	$45,073
Tier 2 General Service	10.42%	765,600	79,776	10.34%	740,998	76,619
Total General Service		**1,479,728**	**121,053**		**1,538,749**	**121,692**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$1,479,728**	**$121,053**		**$1,538,749**	**$121,692**
Employer normal cost rate						
General Service			**8.18%**			**7.91%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.18%**			**7.91%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$2,039,653
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	6.00%
B. Actual employer payroll	1,711,115
C. Payment to transition liability/(surplus)	102,667
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	5.42%
B. Actual employer payroll	1,654,821
C. Payment to transition liability/(surplus)	89,691
4. Supplemental payment to transition liability	0
5. Interest	147,784
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$1,995,079**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	1,995,079	2,039,653
2. Combined valuation payroll	3,362,646	3,366,934
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**5.10%**	**4.99%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	3,362,646	3,366,934
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Clatskanie Rural Fire Protection District/2588
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Clatskanie Rural Fire Protection District/2588

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Clatskanie Rural Fire Protection District/2588

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Clatskanie Rural Fire Protection District -- #2588

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Clatskanie Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Clatskanie Rural Fire Protection District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Clatskanie Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.08%	7.92%	15.08%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(9.06%)	(9.06%)	(9.06%)	(9.06%)	(9.06%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.53%**	**9.37%**	**16.53%**	**7.72%**	**10.45%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.12%**	**9.96%**	**17.12%**	**8.21%**	**10.94%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.28%	4.34%	12.28%	2.89%	5.60%
July 1, 2013 to June 30, 2015	16.53%	9.37%	16.53%	7.72%	10.45%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Clatskanie Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$805,581	$635,944
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(532,509)	(533,347)
Allocated pooled OPSRP UAL	8,622	6,130
Side account	0	0
Net unfunded pension actuarial accrued liability	281,694	108,727
Combined valuation payroll	505,335	493,732
Net pension UAL as a percentage of payroll	56%	22%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(9.06%)	(8.90%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$13,091	$17,764
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	176,077	26,517	14.74%	174,881	25,777
Tier 2 Police & Fire	15.12%	80,629	12,191	15.03%	75,558	11,356
Total Police & Fire		**256,706**	**38,708**		**250,439**	**37,133**
Total		**$256,706**	**$38,708**		**$250,439**	**$37,133**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.08%**			**14.83%**
Aggregate (Default)			**15.08%**			**14.83%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($533,347)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(7.29%)
B. Actual employer payroll	236,757
C. Payment to transition liability/(surplus)	(17,260)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(9.42%)
B. Actual employer payroll	244,416
C. Payment to transition liability/(surplus)	(23,023)
4. Supplemental payment to transition liability	0
5. Interest	(39,445)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($532,509)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(532,509)	(533,347)
2. Combined valuation payroll	505,335	493,732
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(9.06%)**	**(8.90%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	505,335	493,732
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Clatsop Community College/2900
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Clatsop Community College/2900

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Clatsop Community College/2900

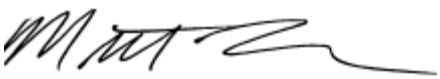
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Clatsop Community College -- #2900

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Clatsop Community College to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Clatsop Community College.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Clatsop Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.07%	8.07%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	1.86%	1.86%	1.86%	1.86%	1.86%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(8.26%)	(8.26%)	(8.26%)	(8.26%)	(8.26%)
Net pension contribution rate	**12.18%**	**12.18%**	**19.20%**	**10.38%**	**13.11%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**12.77%**	**12.77%**	**19.79%**	**10.87%**	**13.60%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	7.71%	7.71%	15.37%	6.14%	8.85%
July 1, 2013 to June 30, 2015	12.18%	12.18%	19.20%	10.38%	13.11%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Clatsop Community College

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$9,438,676	$8,453,950
Allocated pre-SLGRP pooled liability/(surplus)	1,282,801	1,439,435
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	101,023	81,493
Side account	5,686,073	6,205,968
Net unfunded pension actuarial accrued liability	5,136,427	3,768,910
Combined valuation payroll	5,920,814	6,563,453
Net pension UAL as a percentage of payroll	87%	57%
Pre-SLGRP pooled rate	1.86%	1.81%
Transition rate	0.00%	0.00%
Side account rate relief	(8.26%)	(7.79%)
Allocated pooled RHIA UAL	$153,382	$236,143
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$126,008,735	$7,283,305	5.65%	$135,189,476	$7,638,205
Tier 2 General Service	10.42%	123,113,364	12,828,413	10.34%	125,634,641	12,990,622
Total General Service		**249,122,099**	**20,111,718**		**260,824,117**	**20,628,827**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$249,122,099**	**$20,111,718**		**$260,824,117**	**$20,628,827**
Employer normal cost rate						
General Service			**8.07%**			**7.91%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.07%**			**7.91%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	403,407,903	413,952,327
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$6,205,968**	**$6,205,968**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(685,035)	(685,035)
5. Side account earnings during 2011		166,140	166,140
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$5,686,073**	**$5,686,073**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$5,686,073	$6,205,968
Side Account 2	0	0
Side Account 3	0	0
Total	**$5,686,073**	**$6,205,968**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$5,686,073	$6,205,968
2. Combined valuation payroll	5,920,814	6,563,453
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(8.26%)	(7.79%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Clatsop County 4-H District/2704
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Clatsop County 4-H District/2704

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012

Clatsop County 4-H District/2704

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Clatsop County 4-H District -- #2704

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Clatsop County 4-H District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Clatsop County 4-H District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Clatsop County 4-H District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.78%	5.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.07%)	(0.07%)	(0.07%)	(0.07%)	(0.07%)
Side account rate relief [2]	(1.93%)	(1.93%)	(1.93%)	(1.93%)	(1.93%)
Net pension contribution rate	**12.53%**	**12.53%**	**21.84%**	**13.02%**	**15.75%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.12%**	**13.12%**	**22.43%**	**13.51%**	**16.24%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	6.24%	6.24%	15.80%	6.57%	9.28%
July 1, 2013 to June 30, 2015	12.53%	12.53%	21.84%	13.02%	15.75%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Clatsop County 4-H District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$284,822	$166,346
Allocated pre-SLGRP pooled liability/(surplus)	(36,458)	(26,549)
Transition liability/(surplus)	(1,533)	(1,621)
Allocated pooled OPSRP UAL	3,048	1,604
Side account	39,993	47,258
Net unfunded pension actuarial accrued liability	209,886	92,522
Combined valuation payroll	178,667	129,147
Net pension UAL as a percentage of payroll	117%	72%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.07%)	(0.10%)
Side account rate relief	(1.93%)	(3.02%)
Allocated pooled RHIA UAL	$4,628	$4,647
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$26,896	$1,555	5.65%	$26,077	$1,473
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**26,896**	**1,555**		**26,077**	**1,473**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$26,896**	**$1,555**		**$26,077**	**$1,473**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.78%**			**5.65%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,621)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.10%)
B. Actual employer payroll	78,657
C. Payment to transition liability/(surplus)	(79)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.13%)
B. Actual employer payroll	94,834
C. Payment to transition liability/(surplus)	(123)
4. Supplemental payment to transition liability	0
5. Interest	(114)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,533)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,533)	(1,621)
2. Combined valuation payroll	178,667	129,147
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.07%)**	**(0.10%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$47,258**	**$47,258**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(7,566)	(7,566)
5. Side account earnings during 2011		1,300	1,300
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$39,993**	**$39,993**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$39,993	$47,258
Side Account 2	0	0
Side Account 3	0	0
Total	**$39,993**	**$47,258**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$39,993	$47,258
2. Combined valuation payroll	178,667	129,147
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(1.93%)	(3.02%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Clatsop County/2036
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012
Clatsop County/2036

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
Clatsop County/2036

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Clatsop County -- #2036

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Clatsop County to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Clatsop County.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Clatsop County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.06%	7.62%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(4.97%)	(4.97%)	(4.97%)	(4.97%)	(4.97%)
Net pension contribution rate	**13.84%**	**11.40%**	**18.87%**	**10.05%**	**12.78%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.43%**	**11.99%**	**19.46%**	**10.54%**	**13.27%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.32%	6.72%	14.79%	5.50%	8.21%
July 1, 2013 to June 30, 2015	13.84%	11.40%	18.87%	10.05%	12.78%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Clatsop County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$18,999,747	$14,643,864
Allocated pre-SLGRP pooled liability/(surplus)	(2,431,996)	(2,337,212)
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	203,356	141,162
Side account	6,890,779	7,405,489
Net unfunded pension actuarial accrued liability	9,880,328	5,042,325
Combined valuation payroll	11,918,406	11,369,160
Net pension UAL as a percentage of payroll	83%	44%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.00%	0.00%
Side account rate relief	(4.97%)	(5.37%)
Allocated pooled RHIA UAL	$308,752	$409,044
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$2,782,463	$160,826	5.65%	$2,924,873	$165,255
Tier 2 General Service	10.42%	1,820,630	189,710	10.34%	1,846,148	190,892
Total General Service		**4,603,093**	**350,536**		**4,771,021**	**356,147**
Tier 1 Police & Fire	15.06%	999,875	150,581	14.74%	1,230,083	181,314
Tier 2 Police & Fire	15.12%	1,235,340	186,783	15.03%	1,138,412	171,103
Total Police & Fire		**2,235,215**	**337,364**		**2,368,495**	**352,417**
Total		**$6,838,308**	**$687,900**		**$7,139,516**	**$708,564**
Employer normal cost rate						
General Service			**7.62%**			**7.46%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.06%**			**9.92%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	11,918,406	11,369,160
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$7,405,489**	**$7,405,489**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(713,211)	(713,211)
5. Side account earnings during 2011		199,501	199,501
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$6,890,779**	**$6,890,779**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$6,890,779	$7,405,489
Side Account 2	0	0
Side Account 3	0	0
Total	**$6,890,779**	**$7,405,489**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$6,890,779	$7,405,489
2. Combined valuation payroll	11,918,406	11,369,160
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(4.97%)	(5.37%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Clean Water Services/2617
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Clean Water Services/2617

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Clean Water Services/2617

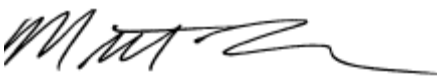
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Clean Water Services -- #2617

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Clean Water Services to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Clean Water Services.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Clean Water Services

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.31%	7.31%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(1.30%)	(1.30%)	(1.30%)	(1.30%)	(1.30%)
Side account rate relief [2]	(4.70%)	(4.70%)	(4.70%)	(4.70%)	(4.70%)
Net pension contribution rate	**11.82%**	**11.82%**	**19.60%**	**10.78%**	**13.51%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**12.41%**	**12.41%**	**20.19%**	**11.27%**	**14.00%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	7.06%	7.06%	15.47%	6.24%	8.95%
July 1, 2013 to June 30, 2015	11.82%	11.82%	19.60%	10.78%	13.51%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Clean Water Services

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$38,044,655	$31,929,187
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(3,615,700)	(3,676,685)
Allocated pooled OPSRP UAL	407,196	307,787
Side account	13,027,896	14,025,558
Net unfunded pension actuarial accrued liability	21,808,255	14,534,731
Combined valuation payroll	23,865,141	24,789,089
Net pension UAL as a percentage of payroll	91%	59%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.30%)	(1.22%)
Side account rate relief	(4.70%)	(4.66%)
Allocated pooled RHIA UAL	$618,238	$891,872
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$10,766,679	$622,314	5.65%	$12,069,163	$681,908
Tier 2 General Service	10.42%	5,298,381	552,091	10.34%	5,191,039	536,753
Total General Service		**16,065,060**	**1,174,405**		**17,260,202**	**1,218,661**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$16,065,060**	**$1,174,405**		**$17,260,202**	**$1,218,661**
Employer normal cost rate						
General Service			**7.31%**			**7.06%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.31%**			**7.06%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($3,676,685)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.39%)
B. Actual employer payroll	11,572,505
C. Payment to transition liability/(surplus)	(160,858)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.28%)
B. Actual employer payroll	13,121,626
C. Payment to transition liability/(surplus)	(167,957)
4. Supplemental payment to transition liability	0
5. Interest	(267,830)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($3,615,700)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(3,615,700)	(3,676,685)
2. Combined valuation payroll	23,865,141	24,789,089
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.30%)**	**(1.22%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$14,025,558**	**$14,025,558**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(1,374,600)	(1,374,600)
5. Side account earnings during 2011		377,937	377,937
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$13,027,896**	**$13,027,896**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$13,027,896	$14,025,558
Side Account 2	0	0
Side Account 3	0	0
Total	**$13,027,896**	**$14,025,558**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$13,027,896	$14,025,558
2. Combined valuation payroll	23,865,141	24,789,089
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(4.70%)	(4.66%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Cloverdale Rural Fire Protection District/2681
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
Cloverdale Rural Fire Protection District/2681

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Cloverdale Rural Fire Protection District/2681

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Cloverdale Rural Fire Protection District -- #2681

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Cloverdale Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Cloverdale Rural Fire Protection District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Cloverdale Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.06%	7.92%	15.06%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	6.90%	6.90%	6.90%	6.90%	6.90%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**30.71%**	**23.57%**	**30.71%**	**21.92%**	**24.65%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**31.30%**	**24.16%**	**31.30%**	**22.41%**	**25.14%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	26.12%	17.92%	26.12%	16.47%	19.18%
July 1, 2013 to June 30, 2015	30.71%	23.57%	30.71%	21.92%	24.65%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Cloverdale Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$114,288	$143,274
Allocated pre-SLGRP pooled liability/(surplus)	(14,629)	(22,867)
Transition liability/(surplus)	57,475	59,125
Allocated pooled OPSRP UAL	1,223	1,381
Side account	0	0
Net unfunded pension actuarial accrued liability	158,357	180,913
Combined valuation payroll	71,692	111,235
Net pension UAL as a percentage of payroll	221%	163%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	6.90%	4.38%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,857	$4,002
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	71,692	10,797	14.74%	71,010	10,467
Tier 2 Police & Fire	15.12%	0	0	15.03%	40,225	6,046
Total Police & Fire		**71,692**	**10,797**		**111,235**	**16,513**
Total		**$71,692**	**$10,797**		**$111,235**	**$16,513**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.06%**			**14.85%**
Aggregate (Default)			**15.06%**			**14.85%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$59,125
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	4.83%
B. Actual employer payroll	53,802
C. Payment to transition liability/(surplus)	2,599
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	5.86%
B. Actual employer payroll	56,462
C. Payment to transition liability/(surplus)	3,308
4. Supplemental payment to transition liability	0
5. Interest	4,257
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$57,475**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	57,475	59,125
2. Combined valuation payroll	71,692	111,235
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**6.90%**	**4.38%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	71,692	111,235
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Coburg Rural Fire Protection District/2801
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Coburg Rural Fire Protection District/2801

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Coburg Rural Fire Protection District/2801

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Coburg Rural Fire Protection District -- #2801

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Coburg Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Coburg Rural Fire Protection District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Coburg Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.12%	7.92%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(6.61%)	(6.61%)	(6.61%)	(6.61%)	(6.61%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.02%**	**11.82%**	**19.02%**	**10.17%**	**12.90%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.61%**	**12.41%**	**19.61%**	**10.66%**	**13.39%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.04%	6.68%	14.04%	5.23%	7.94%
July 1, 2013 to June 30, 2015	19.02%	11.82%	19.02%	10.17%	12.90%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Coburg Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$185,961	$82,162
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(89,682)	(90,333)
Allocated pooled OPSRP UAL	1,990	792
Side account	0	0
Net unfunded pension actuarial accrued liability	98,269	(7,379)
Combined valuation payroll	116,652	63,789
Net pension UAL as a percentage of payroll	84%	(12%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(6.61%)	(11.67%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$3,022	$2,295
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	71,331	10,785	15.03%	63,789	9,587
Total Police & Fire		**71,331**	**10,785**		**63,789**	**9,587**
Total		**$71,331**	**$10,785**		**$63,789**	**$9,587**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**15.12%**			**15.03%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($90,333)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(6.17%)
B. Actual employer payroll	51,852
C. Payment to transition liability/(surplus)	(3,199)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(7.08%)
B. Actual employer payroll	57,843
C. Payment to transition liability/(surplus)	(4,095)
4. Supplemental payment to transition liability	0
5. Interest	(6,643)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($89,682)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(89,682)	(90,333)
2. Combined valuation payroll	116,652	63,789
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(6.61%)**	**(11.67%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	116,652	63,789
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

Colton Fire Department/2649
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Colton Fire Department/2649

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Colton Fire Department/2649

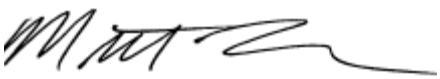
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

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Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Colton Fire Department -- #2649

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Colton Fire Department to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Colton Fire Department.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Colton Fire Department

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.06%	7.92%	15.06%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(7.63%)	(7.63%)	(7.63%)	(7.63%)	(7.63%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.94%**	**10.80%**	**17.94%**	**9.15%**	**11.88%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.53%**	**11.39%**	**18.53%**	**9.64%**	**12.37%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.04%	6.38%	12.06%	2.41%	5.12%
July 1, 2013 to June 30, 2015	17.94%	10.80%	17.94%	9.15%	11.88%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Colton Fire Department

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$115,495	$88,588
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(64,291)	(69,320)
Allocated pooled OPSRP UAL	1,236	854
Side account	0	0
Net unfunded pension actuarial accrued liability	52,440	20,122
Combined valuation payroll	72,449	68,778
Net pension UAL as a percentage of payroll	72%	29%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(7.63%)	(8.31%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,877	$2,475
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$8,709	$492
Tier 2 General Service	10.42%	0	0	10.34%	1,804	187
Total General Service		**0**	**0**		**10,513**	**679**
Tier 1 Police & Fire	15.06%	72,449	10,911	14.74%	58,265	8,588
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**72,449**	**10,911**		**58,265**	**8,588**
Total		**$72,449**	**$10,911**		**$68,778**	**$9,267**
Employer normal cost rate						
General Service			**7.92%**			**6.46%**
Police & Fire			**15.06%**			**14.74%**
Aggregate (Default)			**15.06%**			**13.47%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($69,320)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(15.40%)
B. Actual employer payroll	37,918
C. Payment to transition liability/(surplus)	(5,830)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(9.90%)
B. Actual employer payroll	40,010
C. Payment to transition liability/(surplus)	(3,961)
4. Supplemental payment to transition liability	0
5. Interest	(4,762)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($64,291)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(64,291)	(69,320)
2. Combined valuation payroll	72,449	68,778
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(7.63%)**	**(8.31%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	72,449	68,778
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Columbia 911 Communications District/2671
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Columbia 911 Communications District/2671

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Columbia 911 Communications District/2671

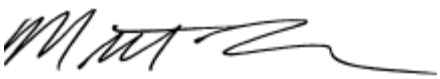
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Columbia 911 Communications District -- #2671

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Columbia 911 Communications District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Columbia 911 Communications District.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Columbia 911 Communications District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.66%	8.66%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.80%)	(0.80%)	(0.80%)	(0.80%)	(0.80%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.61%**	**16.61%**	**23.04%**	**14.22%**	**16.95%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.20%**	**17.20%**	**23.63%**	**14.71%**	**17.44%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.71%	11.71%	19.04%	9.81%	12.52%
July 1, 2013 to June 30, 2015	16.61%	16.61%	23.04%	14.22%	16.95%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Columbia 911 Communications District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,980,306	$1,562,280
Allocated pre-SLGRP pooled liability/(surplus)	(253,482)	(249,345)
Transition liability/(surplus)	(116,050)	(117,478)
Allocated pooled OPSRP UAL	21,195	15,060
Side account	0	0
Net unfunded pension actuarial accrued liability	1,631,969	1,210,517
Combined valuation payroll	1,242,232	1,212,918
Net pension UAL as a percentage of payroll	131%	100%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.80%)	(0.80%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$32,181	$43,639
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$404,064	$23,355	5.65%	$386,233	$21,822
Tier 2 General Service	10.42%	662,989	69,083	10.34%	656,707	67,904
Total General Service		**1,067,053**	**92,438**		**1,042,940**	**89,726**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$1,067,053**	**$92,438**		**$1,042,940**	**$89,726**
Employer normal cost rate						
General Service			**8.66%**			**8.60%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.66%**			**8.60%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($117,478)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.81%)
B. Actual employer payroll	635,484
C. Payment to transition liability/(surplus)	(5,147)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.80%)
B. Actual employer payroll	609,664
C. Payment to transition liability/(surplus)	(4,877)
4. Supplemental payment to transition liability	0
5. Interest	(8,596)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($116,050)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(116,050)	(117,478)
2. Combined valuation payroll	1,242,232	1,212,918
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.80%)**	**(0.80%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,242,232	1,212,918
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Columbia County/2017
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Columbia County/2017

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
Columbia County/2017

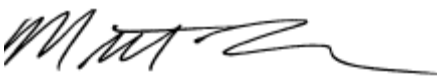
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Columbia County -- #2017

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Columbia County to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Columbia County.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Columbia County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.25%	7.82%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(3.64%)	(3.64%)	(3.64%)	(3.64%)	(3.64%)
Side account rate relief [2]	(2.63%)	(2.63%)	(2.63%)	(2.63%)	(2.63%)
Net pension contribution rate	**14.49%**	**12.06%**	**19.34%**	**10.51%**	**13.24%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.08%**	**12.65%**	**19.93%**	**11.00%**	**13.73%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.11%	6.74%	14.35%	5.21%	7.92%
July 1, 2013 to June 30, 2015	14.49%	12.06%	19.34%	10.51%	13.24%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Columbia County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$15,069,291	$11,419,947
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(3,997,470)	(4,074,270)
Allocated pooled OPSRP UAL	161,288	110,085
Side account	2,888,691	3,133,609
Net unfunded pension actuarial accrued liability	8,344,418	4,322,153
Combined valuation payroll	9,452,859	8,866,185
Net pension UAL as a percentage of payroll	88%	49%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.64%)	(3.79%)
Side account rate relief	(2.63%)	(2.91%)
Allocated pooled RHIA UAL	$244,881	$318,991
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$2,245,231	$129,774	5.65%	$2,206,764	$124,682
Tier 2 General Service	10.42%	1,760,915	183,487	10.34%	1,724,228	178,285
Total General Service		**4,006,146**	**313,261**		**3,930,992**	**302,967**
Tier 1 Police & Fire	15.06%	778,783	117,285	14.74%	734,240	108,227
Tier 2 Police & Fire	15.12%	1,233,534	186,510	15.03%	1,105,026	166,085
Total Police & Fire		**2,012,317**	**303,795**		**1,839,266**	**274,312**
Total		**$6,018,463**	**$617,056**		**$5,770,258**	**$577,279**
Employer normal cost rate						
General Service			**7.82%**			**7.71%**
Police & Fire			**15.10%**			**14.91%**
Aggregate (Default)			**10.25%**			**10.00%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($4,074,270)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.90%)
B. Actual employer payroll	4,817,848
C. Payment to transition liability/(surplus)	(187,896)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.07%)
B. Actual employer payroll	4,545,768
C. Payment to transition liability/(surplus)	(185,013)
4. Supplemental payment to transition liability	0
5. Interest	(296,109)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($3,997,470)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(3,997,470)	(4,074,270)
2. Combined valuation payroll	9,452,859	8,866,185
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.64%)**	**(3.79%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$3,133,609**	**$3,133,609**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(329,607)	(329,607)
5. Side account earnings during 2011		85,689	85,689
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$2,888,691**	**$2,888,691**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$2,888,691	$3,133,609
Side Account 2	0	0
Side Account 3	0	0
Total	**$2,888,691**	**$3,133,609**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$2,888,691	$3,133,609
2. Combined valuation payroll	9,452,859	8,866,185
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(2.63%)	(2.91%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Columbia Drainage Vector Control District/2687
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Columbia Drainage Vector Control District/2687

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Columbia Drainage Vector Control District/2687

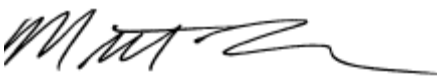
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Columbia Drainage Vector Control District -- #2687

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Columbia Drainage Vector Control District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Columbia Drainage Vector Control District.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Columbia Drainage Vector Control District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.86%	7.86%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	13.37%	13.37%	13.37%	13.37%	13.37%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**29.98%**	**29.98%**	**37.21%**	**28.39%**	**31.12%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**30.57%**	**30.57%**	**37.80%**	**28.88%**	**31.61%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	23.69%	23.69%	30.93%	21.70%	24.41%
July 1, 2013 to June 30, 2015	29.98%	29.98%	37.21%	28.39%	31.12%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Columbia Drainage Vector Control District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$191,443	$172,460
Allocated pre-SLGRP pooled liability/(surplus)	(24,505)	(27,525)
Transition liability/(surplus)	186,709	186,538
Allocated pooled OPSRP UAL	2,049	1,662
Side account	0	0
Net unfunded pension actuarial accrued liability	355,696	333,135
Combined valuation payroll	120,091	133,894
Net pension UAL as a percentage of payroll	296%	249%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	13.37%	11.48%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$3,111	$4,817
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$66,338	$3,834	5.65%	$60,777	$3,434
Tier 2 General Service	10.42%	53,753	5,601	10.34%	73,117	7,560
Total General Service		**120,091**	**9,435**		**133,894**	**10,994**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$120,091**	**$9,435**		**$133,894**	**$10,994**
Employer normal cost rate						
General Service			**7.86%**			**8.21%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.86%**			**8.21%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$186,538
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	9.87%
B. Actual employer payroll	66,603
C. Payment to transition liability/(surplus)	6,574
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	11.09%
B. Actual employer payroll	63,891
C. Payment to transition liability/(surplus)	7,085
4. Supplemental payment to transition liability	0
5. Interest	13,830
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$186,709**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	186,709	186,538
2. Combined valuation payroll	120,091	133,894
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**13.37%**	**11.48%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	120,091	133,894
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Columbia Gorge Community College/2996
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Columbia Gorge Community College/2996

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Columbia Gorge Community College/2996

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Columbia Gorge Community College -- #2996

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Columbia Gorge Community College to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Columbia Gorge Community College.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Columbia Gorge Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.07%	8.07%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	1.86%	1.86%	1.86%	1.86%	1.86%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(5.61%)	(5.61%)	(5.61%)	(5.61%)	(5.61%)
Net pension contribution rate	**14.83%**	**14.83%**	**21.85%**	**13.03%**	**15.76%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.42%**	**15.42%**	**22.44%**	**13.52%**	**16.25%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.04%	10.04%	17.70%	8.47%	11.18%
July 1, 2013 to June 30, 2015	14.83%	14.83%	21.85%	13.03%	15.76%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Columbia Gorge Community College

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$7,693,679	$6,400,327
Allocated pre-SLGRP pooled liability/(surplus)	1,045,640	1,089,769
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	82,346	61,697
Side account	3,146,038	3,383,930
Net unfunded pension actuarial accrued liability	5,675,627	4,167,863
Combined valuation payroll	4,826,190	4,969,067
Net pension UAL as a percentage of payroll	118%	84%
Pre-SLGRP pooled rate	1.86%	1.81%
Transition rate	0.00%	0.00%
Side account rate relief	(5.61%)	(5.61%)
Allocated pooled RHIA UAL	$125,025	$178,779
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$126,008,735	$7,283,305	5.65%	$135,189,476	$7,638,205
Tier 2 General Service	10.42%	123,113,364	12,828,413	10.34%	125,634,641	12,990,622
Total General Service		**249,122,099**	**20,111,718**		**260,824,117**	**20,628,827**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$249,122,099**	**$20,111,718**		**$260,824,117**	**$20,628,827**
Employer normal cost rate						
General Service			**8.07%**			**7.91%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.07%**			**7.91%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	403,407,903	413,952,327
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$3,383,930**	**$3,383,930**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(328,966)	(328,966)
5. Side account earnings during 2011		92,074	92,074
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$3,146,038**	**$3,146,038**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$3,146,038	$3,383,930
Side Account 2	0	0
Side Account 3	0	0
Total	**$3,146,038**	**$3,383,930**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$3,146,038	$3,383,930
2. Combined valuation payroll	4,826,190	4,969,067
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(5.61%)	(5.61%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

Columbia River Fire & Rescue/2528
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Columbia River Fire & Rescue/2528

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Columbia River Fire & Rescue/2528

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Columbia River Fire & Rescue -- #2528

SEPTEMBER 2012

Secondary Employers

2577 Rainier Fire Department

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Columbia River Fire & Rescue to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Columbia River Fire & Rescue.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Columbia River Fire & Rescue

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.96%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(6.08%)	(6.08%)	(6.08%)	(6.08%)	(6.08%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.63%**	**13.09%**	**17.76%**	**8.94%**	**11.67%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.22%**	**13.68%**	**18.35%**	**9.43%**	**12.16%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	13.78%	8.51%	14.00%	4.75%	7.46%
July 1, 2013 to June 30, 2015	17.63%	13.09%	17.76%	8.94%	11.67%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Columbia River Fire & Rescue

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$6,144,843	$4,489,240
Allocated pre-SLGRP pooled liability/(surplus)	(786,549)	(716,498)
Transition liability/(surplus)	(2,726,069)	(2,736,323)
Allocated pooled OPSRP UAL	65,769	43,275
Side account	0	0
Net unfunded pension actuarial accrued liability	2,697,994	1,079,694
Combined valuation payroll	3,854,616	3,485,343
Net pension UAL as a percentage of payroll	70%	31%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(6.08%)	(6.47%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$99,856	$125,397
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	71,873	7,489	10.34%	69,436	7,180
Total General Service		**71,873**	**7,489**		**69,436**	**7,180**
Tier 1 Police & Fire	15.06%	1,054,657	158,831	14.74%	950,186	140,057
Tier 2 Police & Fire	15.12%	1,454,812	219,968	15.03%	1,347,063	202,464
Total Police & Fire		**2,509,469**	**378,799**		**2,297,249**	**342,521**
Total		**$2,581,342**	**$386,288**		**$2,366,685**	**$349,701**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.91%**
Aggregate (Default)			**14.96%**			**14.78%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($2,736,323)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(5.59%)
B. Actual employer payroll	1,816,898
C. Payment to transition liability/(surplus)	(101,565)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.86%)
B. Actual employer payroll	1,887,719
C. Payment to transition liability/(surplus)	(110,620)
4. Supplemental payment to transition liability	0
5. Interest	(201,931)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($2,726,069)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(2,726,069)	(2,736,323)
2. Combined valuation payroll	3,854,616	3,485,343
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(6.08%)**	**(6.47%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	3,854,616	3,485,343
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Community Services Consortium/2612
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Community Services Consortium/2612

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Community Services Consortium/2612

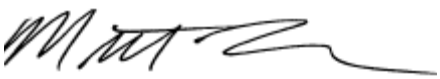
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Community Services Consortium -- #2612

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Community Services Consortium to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Community Services Consortium.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Community Services Consortium

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.60%	8.60%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(1.15%)	(1.15%)	(1.15%)	(1.15%)	(1.15%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.20%**	**16.20%**	**22.69%**	**13.87%**	**16.60%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.79%**	**16.79%**	**23.28%**	**14.36%**	**17.09%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.64%	11.64%	18.89%	9.66%	12.37%
July 1, 2013 to June 30, 2015	16.20%	16.20%	22.69%	13.87%	16.60%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Community Services Consortium

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$7,435,505	$7,591,534
Allocated pre-SLGRP pooled liability/(surplus)	(951,756)	(1,211,635)
Transition liability/(surplus)	(622,637)	(629,797)
Allocated pooled OPSRP UAL	79,583	73,180
Side account	0	0
Net unfunded pension actuarial accrued liability	5,940,695	5,823,282
Combined valuation payroll	4,664,239	5,893,893
Net pension UAL as a percentage of payroll	127%	99%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(1.15%)	(0.88%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$120,829	$212,053
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$931,312	$53,830	5.65%	$1,233,741	$69,706
Tier 2 General Service	10.42%	1,438,587	149,901	10.34%	1,723,666	178,227
Total General Service		**2,369,899**	**203,731**		**2,957,407**	**247,933**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$2,369,899**	**$203,731**		**$2,957,407**	**$247,933**
Employer normal cost rate						
General Service			**8.60%**			**8.38%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.60%**			**8.38%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($629,797)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.92%)
B. Actual employer payroll	3,205,011
C. Payment to transition liability/(surplus)	(29,486)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.95%)
B. Actual employer payroll	2,504,670
C. Payment to transition liability/(surplus)	(23,795)
4. Supplemental payment to transition liability	0
5. Interest	(46,121)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($622,637)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(622,637)	(629,797)
2. Combined valuation payroll	4,664,239	5,893,893
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.15%)**	**(0.88%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	4,664,239	5,893,893
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Coos County Airport District/2860
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Coos County Airport District/2860

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Coos County Airport District/2860

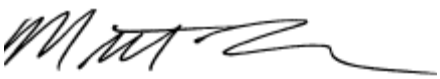
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Coos County Airport District -- #2860

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Coos County Airport District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Coos County Airport District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Coos County Airport District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(6.68%)	(6.68%)	(6.68%)	(6.68%)	(6.68%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**14.25%**	**14.25%**	**18.92%**	**10.10%**	**12.83%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.84%**	**14.84%**	**19.51%**	**10.59%**	**13.32%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.29%	10.29%	15.76%	6.53%	9.24%
July 1, 2013 to June 30, 2015	14.25%	14.25%	18.92%	10.10%	12.83%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Coos County Airport District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$847,135	$506,649
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(412,678)	(409,257)
Allocated pooled OPSRP UAL	9,067	4,884
Side account	0	0
Net unfunded pension actuarial accrued liability	443,524	102,276
Combined valuation payroll	531,402	393,351
Net pension UAL as a percentage of payroll	83%	26%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(6.68%)	(8.57%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$13,766	$14,152
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	116,583	12,148	10.34%	113,491	11,735
Total General Service		**116,583**	**12,148**		**113,491**	**11,735**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$116,583**	**$12,148**		**$113,491**	**$11,735**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($409,257)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(5.09%)
B. Actual employer payroll	232,832
C. Payment to transition liability/(surplus)	(11,851)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.78%)
B. Actual employer payroll	264,651
C. Payment to transition liability/(surplus)	(15,297)
4. Supplemental payment to transition liability	0
5. Interest	(30,569)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($412,678)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(412,678)	(409,257)
2. Combined valuation payroll	531,402	393,351
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(6.68%)**	**(8.57%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	531,402	393,351
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Coos County/2018
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Coos County/2018

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
Coos County/2018

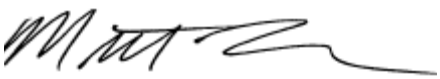
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Coos County -- #2018

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Coos County to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Coos County.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Coos County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.39%	8.06%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	0.92%	0.92%	0.92%	0.92%	0.92%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**21.82%**	**19.49%**	**26.52%**	**17.70%**	**20.43%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**22.41%**	**20.08%**	**27.11%**	**18.19%**	**20.92%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	17.11%	14.71%	22.43%	13.16%	15.87%
July 1, 2013 to June 30, 2015	21.82%	19.49%	26.52%	17.70%	20.43%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Coos County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$20,502,602	$16,712,418
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	1,380,914	1,385,542
Allocated pooled OPSRP UAL	219,441	161,102
Side account	0	0
Net unfunded pension actuarial accrued liability	22,102,957	18,259,062
Combined valuation payroll	12,861,136	12,975,138
Net pension UAL as a percentage of payroll	172%	141%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	0.92%	0.88%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$333,174	$466,825
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$3,105,479	$179,497	5.65%	$3,692,088	$208,603
Tier 2 General Service	10.42%	2,994,058	311,981	10.34%	3,064,890	316,910
Total General Service		**6,099,537**	**491,478**		**6,756,978**	**525,513**
Tier 1 Police & Fire	15.06%	1,627,652	245,124	14.74%	1,641,804	242,002
Tier 2 Police & Fire	15.12%	1,407,388	212,797	15.03%	1,342,340	201,754
Total Police & Fire		**3,035,040**	**457,921**		**2,984,144**	**443,756**
Total		**$9,134,577**	**$949,399**		**$9,741,122**	**$969,269**
Employer normal cost rate						
General Service			**8.06%**			**7.78%**
Police & Fire			**15.09%**			**14.87%**
Aggregate (Default)			**10.39%**			**9.95%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$1,385,542
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.68%
B. Actual employer payroll	6,979,935
C. Payment to transition liability/(surplus)	47,464
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.85%
B. Actual employer payroll	6,994,531
C. Payment to transition liability/(surplus)	59,454
4. Supplemental payment to transition liability	0
5. Interest	102,290
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$1,380,914**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	1,380,914	1,385,542
2. Combined valuation payroll	12,861,136	12,975,138
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.92%**	**0.88%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	12,861,136	12,975,138
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Corbett Water District/2603
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Corbett Water District/2603

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Corbett Water District/2603

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Corbett Water District -- #2603

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Corbett Water District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Corbett Water District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Corbett Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.15%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.90%**	**16.67%**	**23.84%**	**15.02%**	**17.75%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.49%**	**17.26%**	**24.43%**	**15.51%**	**18.24%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	13.37%	12.06%	19.84%	10.61%	13.32%
July 1, 2013 to June 30, 2015	17.90%	16.67%	23.84%	15.02%	17.75%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Corbett Water District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$319,937	$243,462
Allocated pre-SLGRP pooled liability/(surplus)	(40,952)	(38,857)
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	3,424	2,347
Side account	0	0
Net unfunded pension actuarial accrued liability	282,409	206,952
Combined valuation payroll	200,694	189,018
Net pension UAL as a percentage of payroll	141%	109%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.00%	0.00%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$5,199	$6,801
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$0**	**$0**		**$0**	**$0**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.15%**			**8.96%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	200,694	189,018
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	200,694	189,018
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

Council of Governments/2545
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Council of Governments/2545

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Council of Governments -- #2545

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Council of Governments to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Council of Governments.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Council of Governments

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.13%	8.13%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.01%)	(0.01%)	(0.01%)	(0.01%)	(0.01%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.87%**	**16.87%**	**23.83%**	**15.01%**	**17.74%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.46%**	**17.46%**	**24.42%**	**15.50%**	**18.23%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.31%	12.31%	19.83%	10.60%	13.31%
July 1, 2013 to June 30, 2015	16.87%	16.87%	23.83%	15.01%	17.74%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Council of Governments

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$8,150,912	$7,063,551
Allocated pre-SLGRP pooled liability/(surplus)	(1,043,329)	(1,127,367)
Transition liability/(surplus)	(7,911)	(7,869)
Allocated pooled OPSRP UAL	87,240	68,090
Side account	0	0
Net unfunded pension actuarial accrued liability	7,186,912	5,996,405
Combined valuation payroll	5,113,009	5,483,979
Net pension UAL as a percentage of payroll	141%	109%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.01%)	(0.01%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$132,455	$197,305
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$1,377,546	$79,622	5.65%	$1,593,759	$90,047
Tier 2 General Service	10.42%	1,410,188	146,942	10.34%	1,532,314	158,441
Total General Service		**2,787,734**	**226,564**		**3,126,073**	**248,488**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$2,787,734**	**$226,564**		**$3,126,073**	**$248,488**
Employer normal cost rate						
General Service			**8.13%**			**7.95%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.13%**			**7.95%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($7,869)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.01%)
B. Actual employer payroll	2,688,102
C. Payment to transition liability/(surplus)	(269)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.01%)
B. Actual employer payroll	2,749,059
C. Payment to transition liability/(surplus)	(275)
4. Supplemental payment to transition liability	0
5. Interest	(586)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($7,911)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(7,911)	(7,869)
2. Combined valuation payroll	5,113,009	5,483,979
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.01%)**	**(0.01%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	5,113,009	5,483,979
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Crescent Rural Fire Protection District/2834
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
Crescent Rural Fire Protection District/2834

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Crescent Rural Fire Protection District/2834

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Crescent Rural Fire Protection District -- #2834

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Crescent Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Crescent Rural Fire Protection District.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Crescent Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.06%	7.92%	15.06%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(1.91%)	(1.91%)	(1.91%)	(1.91%)	(1.91%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**23.66%**	**16.52%**	**23.66%**	**14.87%**	**17.60%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**24.25%**	**17.11%**	**24.25%**	**15.36%**	**18.09%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	18.25%	10.05%	18.25%	8.60%	11.31%
July 1, 2013 to June 30, 2015	23.66%	16.52%	23.66%	14.87%	17.60%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Crescent Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$282,077	$106,030
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(39,353)	(46,413)
Allocated pooled OPSRP UAL	3,019	1,022
Side account	0	0
Net unfunded pension actuarial accrued liability	245,743	60,639
Combined valuation payroll	176,945	82,319
Net pension UAL as a percentage of payroll	139%	74%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.91%)	(4.65%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$4,584	$2,962
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	64,961	9,783	14.74%	55,385	8,164
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**64,961**	**9,783**		**55,385**	**8,164**
Total		**$64,961**	**$9,783**		**$55,385**	**$8,164**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.06%**			**14.74%**
Aggregate (Default)			**15.06%**			**14.74%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($46,413)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(5.21%)
B. Actual employer payroll	119,340
C. Payment to transition liability/(surplus)	(6,218)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(3.71%)
B. Actual employer payroll	101,273
C. Payment to transition liability/(surplus)	(3,757)
4. Supplemental payment to transition liability	0
5. Interest	(2,915)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($39,353)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(39,353)	(46,413)
2. Combined valuation payroll	176,945	82,319
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.91%)**	**(4.65%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	176,945	82,319
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Crook County Rural Fire Protection District #1/2844
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Crook County Rural Fire Protection District #1/2844

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Crook County Rural Fire Protection District #1/2844

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Crook County Rural Fire Protection District #1 -- #2844

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Crook County Rural Fire Protection District #1 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Crook County Rural Fire Protection District #1.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Crook County Rural Fire Protection District #1

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.44%	10.42%	15.11%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.62%)	(0.62%)	(0.62%)	(0.62%)	(0.62%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**22.57%**	**18.55%**	**23.24%**	**14.40%**	**17.13%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**23.16%**	**19.14%**	**23.83%**	**14.89%**	**17.62%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	18.56%	13.92%	19.42%	10.16%	12.87%
July 1, 2013 to June 30, 2015	22.57%	18.55%	23.24%	14.40%	17.13%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Crook County Rural Fire Protection District #1

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,142,259	$1,282,598
Allocated pre-SLGRP pooled liability/(surplus)	(146,211)	(204,707)
Transition liability/(surplus)	(51,429)	(52,552)
Allocated pooled OPSRP UAL	12,226	12,364
Side account	0	0
Net unfunded pension actuarial accrued liability	956,845	1,037,703
Combined valuation payroll	716,531	995,780
Net pension UAL as a percentage of payroll	134%	104%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.62%)	(0.43%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$18,562	$35,827
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	58,479	6,094	10.34%	77,318	7,995
Total General Service		**58,479**	**6,094**		**77,318**	**7,995**
Tier 1 Police & Fire	15.06%	82,292	12,393	14.74%	289,766	42,712
Tier 2 Police & Fire	15.12%	268,196	40,551	15.03%	260,982	39,226
Total Police & Fire		**350,488**	**52,944**		**550,748**	**81,938**
Total		**$408,967**	**$59,038**		**$628,066**	**$89,933**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.11%**			**14.88%**
Aggregate (Default)			**14.44%**			**14.32%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($52,552)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.56%)
B. Actual employer payroll	481,595
C. Payment to transition liability/(surplus)	(2,697)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.45%)
B. Actual employer payroll	496,783
C. Payment to transition liability/(surplus)	(2,236)
4. Supplemental payment to transition liability	0
5. Interest	(3,810)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($51,429)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(51,429)	(52,552)
2. Combined valuation payroll	716,531	995,780
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.62%)**	**(0.43%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	716,531	995,780
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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503 227 0634

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Crook County/2044
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Crook County/2044

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
Crook County/2044

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Crook County -- #2044

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Crook County to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Crook County.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Crook County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.10%	7.92%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(10.08%)	(10.08%)	(10.08%)	(10.08%)	(10.08%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.53%**	**8.35%**	**15.53%**	**6.70%**	**9.43%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.12%**	**8.94%**	**16.12%**	**7.19%**	**9.92%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	13.57%	5.89%	13.57%	4.44%	7.15%
July 1, 2013 to June 30, 2015	15.53%	8.35%	15.53%	6.70%	9.43%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Crook County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,945,935	$2,049,771
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(1,430,752)	(1,460,061)
Allocated pooled OPSRP UAL	20,828	19,759
Side account	0	0
Net unfunded pension actuarial accrued liability	536,011	609,469
Combined valuation payroll	1,220,671	1,591,395
Net pension UAL as a percentage of payroll	44%	38%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(10.08%)	(7.56%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$31,622	$57,256
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	299,793	45,149	14.74%	403,214	59,434
Tier 2 Police & Fire	15.12%	431,684	65,271	15.03%	693,942	104,299
Total Police & Fire		**731,477**	**110,420**		**1,097,156**	**163,733**
Total		**$731,477**	**$110,420**		**$1,097,156**	**$163,733**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.10%**			**14.92%**
Aggregate (Default)			**15.10%**			**14.92%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,460,061)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(9.94%)
B. Actual employer payroll	766,592
C. Payment to transition liability/(surplus)	(76,199)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(7.87%)
B. Actual employer payroll	750,855
C. Payment to transition liability/(surplus)	(59,092)
4. Supplemental payment to transition liability	0
5. Interest	(105,982)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,430,752)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,430,752)	(1,460,061)
2. Combined valuation payroll	1,220,671	1,591,395
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(10.08%)**	**(7.56%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,220,671	1,591,395
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Crooked River Ranch Rural Fire Protection District/2647
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Crooked River Ranch Rural Fire Protection District/2647

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Crooked River Ranch Rural Fire Protection District/2647

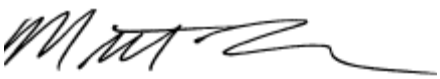
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Crooked River Ranch Rural Fire Protection District -- #2647

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Crooked River Ranch Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Crooked River Ranch Rural Fire Protection District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Crooked River Ranch Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.15%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(1.35%)	(1.35%)	(1.35%)	(1.35%)	(1.35%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.55%**	**15.32%**	**22.49%**	**13.67%**	**16.40%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.14%**	**15.91%**	**23.08%**	**14.16%**	**16.89%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.77%	12.77%	18.24%	9.01%	11.72%
July 1, 2013 to June 30, 2015	16.55%	15.32%	22.49%	13.67%	16.40%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Crooked River Ranch Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$459,022	$351,247
Allocated pre-SLGRP pooled liability/(surplus)	(58,755)	(56,060)
Transition liability/(surplus)	(45,293)	(47,262)
Allocated pooled OPSRP UAL	4,913	3,386
Side account	0	0
Net unfunded pension actuarial accrued liability	359,887	251,311
Combined valuation payroll	287,941	272,700
Net pension UAL as a percentage of payroll	125%	92%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(1.35%)	(1.43%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$7,459	$9,811
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$0**	**$0**		**$0**	**$0**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.15%**			**8.96%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($47,262)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.35%)
B. Actual employer payroll	130,881
C. Payment to transition liability/(surplus)	(3,076)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.60%)
B. Actual employer payroll	140,513
C. Payment to transition liability/(surplus)	(2,248)
4. Supplemental payment to transition liability	0
5. Interest	(3,355)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($45,293)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(45,293)	(47,262)
2. Combined valuation payroll	287,941	272,700
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.35%)**	**(1.43%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	287,941	272,700
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

Crystal Springs Water District/2571
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Crystal Springs Water District/2571

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Crystal Springs Water District/2571

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Crystal Springs Water District -- #2571

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Crystal Springs Water District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Crystal Springs Water District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Crystal Springs Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.53%	7.53%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(2.15%)	(2.15%)	(2.15%)	(2.15%)	(2.15%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.89%**	**15.89%**	**23.45%**	**14.63%**	**17.36%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.48%**	**16.48%**	**24.04%**	**15.12%**	**17.85%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.34%	11.34%	19.75%	10.52%	13.23%
July 1, 2013 to June 30, 2015	15.89%	15.89%	23.45%	14.63%	17.36%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Crystal Springs Water District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$407,323	$399,224
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(63,776)	(65,148)
Allocated pooled OPSRP UAL	4,360	3,848
Side account	0	0
Net unfunded pension actuarial accrued liability	347,907	337,924
Combined valuation payroll	255,511	309,948
Net pension UAL as a percentage of payroll	136%	109%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.15%)	(1.73%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$6,619	$11,151
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$132,765	$7,674	5.65%	$191,881	$10,841
Tier 2 General Service	10.42%	80,489	8,387	10.34%	75,878	7,846
Total General Service		**213,254**	**16,061**		**267,759**	**18,687**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$213,254**	**$16,061**		**$267,759**	**$18,687**
Employer normal cost rate						
General Service			**7.53%**			**6.98%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.53%**			**6.98%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($65,148)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.99%)
B. Actual employer payroll	166,033
C. Payment to transition liability/(surplus)	(3,304)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.79%)
B. Actual employer payroll	155,944
C. Payment to transition liability/(surplus)	(2,792)
4. Supplemental payment to transition liability	0
5. Interest	(4,724)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($63,776)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(63,776)	(65,148)
2. Combined valuation payroll	255,511	309,948
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.15%)**	**(1.73%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	255,511	309,948
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Curry Library/2718
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Curry Library/2718

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
Curry Library/2718

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Curry Library -- #2718

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Curry Library to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Curry Library.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Curry Library

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(84.01%)	(84.01%)	(84.01%)	(84.01%)	(84.01%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	0.00%	0.00%	5.08%	0.00%	0.00%
July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%	0.00%	0.00%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Curry Library

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$36,342	$112,783
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(222,652)	(219,768)
Allocated pooled OPSRP UAL	389	1,087
Side account	0	0
Net unfunded pension actuarial accrued liability	(185,921)	(105,898)
Combined valuation payroll	22,797	87,562
Net pension UAL as a percentage of payroll	(816%)	(121%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(84.01%)	(20.68%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$591	$3,150
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	22,797	2,375	10.34%	41,186	4,259
Total General Service		**22,797**	**2,375**		**41,186**	**4,259**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$22,797**	**$2,375**		**$41,186**	**$4,259**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($219,768)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(10.88%)
B. Actual employer payroll	58,260
C. Payment to transition liability/(surplus)	(6,259)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(14.24%)
B. Actual employer payroll	53,506
C. Payment to transition liability/(surplus)	(7,350)
4. Supplemental payment to transition liability	0
5. Interest	(16,493)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($222,652)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(222,652)	(219,768)
2. Combined valuation payroll	22,797	87,562
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(84.01%)**	**(20.68%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	22,797	87,562
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Depoe Bay Rural Fire Protection District/2576
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Depoe Bay Rural Fire Protection District/2576

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Depoe Bay Rural Fire Protection District/2576

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Depoe Bay Rural Fire Protection District -- #2576

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Depoe Bay Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Depoe Bay Rural Fire Protection District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Depoe Bay Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.15%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(1.63%)	(1.63%)	(1.63%)	(1.63%)	(1.63%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.27%**	**15.04%**	**22.21%**	**13.39%**	**16.12%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.86%**	**15.63%**	**22.80%**	**13.88%**	**16.61%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.42%	10.11%	17.89%	8.66%	11.37%
July 1, 2013 to June 30, 2015	16.27%	15.04%	22.21%	13.39%	16.12%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Depoe Bay Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$468,497	$437,501
Allocated pre-SLGRP pooled liability/(surplus)	(59,968)	(69,827)
Transition liability/(surplus)	(55,583)	(62,898)
Allocated pooled OPSRP UAL	5,014	4,217
Side account	0	0
Net unfunded pension actuarial accrued liability	357,960	308,993
Combined valuation payroll	293,885	339,666
Net pension UAL as a percentage of payroll	122%	91%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(1.63%)	(1.53%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$7,613	$12,221
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	73,299	10,804
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**73,299**	**10,804**
Total		**$0**	**$0**		**$73,299**	**$10,804**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.09%**			**14.74%**
Aggregate (Default)			**9.15%**			**14.74%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($62,898)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.98%)
B. Actual employer payroll	174,878
C. Payment to transition liability/(surplus)	(6,960)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.95%)
B. Actual employer payroll	229,361
C. Payment to transition liability/(surplus)	(4,472)
4. Supplemental payment to transition liability	0
5. Interest	(4,117)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($55,583)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(55,583)	(62,898)
2. Combined valuation payroll	293,885	339,666
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.63%)**	**(1.53%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	293,885	339,666
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Deschutes County Rural Fire Protection District #2/2822
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Deschutes County Rural Fire Protection District #2/2822

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Deschutes County Rural Fire Protection District #2/2822

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Deschutes County Rural Fire Protection District #2 -- #2822

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Deschutes County Rural Fire Protection District #2 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Deschutes County Rural Fire Protection District #2.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Deschutes County Rural Fire Protection District #2

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.41%)	(0.41%)	(0.41%)	(0.41%)	(0.41%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**18.76%**	**18.76%**	**23.43%**	**14.61%**	**17.34%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.35%**	**19.35%**	**24.02%**	**15.10%**	**17.83%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	13.99%	13.99%	19.46%	10.23%	12.94%
July 1, 2013 to June 30, 2015	18.76%	18.76%	23.43%	14.61%	17.34%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Deschutes County Rural Fire Protection District #2

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$172,215	$137,812
Allocated pre-SLGRP pooled liability/(surplus)	(22,044)	(21,995)
Transition liability/(surplus)	(5,087)	(5,087)
Allocated pooled OPSRP UAL	1,843	1,328
Side account	0	0
Net unfunded pension actuarial accrued liability	146,927	112,058
Combined valuation payroll	108,029	106,994
Net pension UAL as a percentage of payroll	136%	105%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.41%)	(0.39%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,799	$3,849
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	108,029	11,257	10.34%	106,994	11,063
Total General Service		**108,029**	**11,257**		**106,994**	**11,063**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$108,029**	**$11,257**		**$106,994**	**$11,063**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($5,087)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.35%)
B. Actual employer payroll	51,683
C. Payment to transition liability/(surplus)	(181)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.38%)
B. Actual employer payroll	51,683
C. Payment to transition liability/(surplus)	(196)
4. Supplemental payment to transition liability	0
5. Interest	(377)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($5,087)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(5,087)	(5,087)
2. Combined valuation payroll	108,029	106,994
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.41%)**	**(0.39%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	108,029	106,994
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Deschutes County/2027
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Deschutes County/2027

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
Deschutes County/2027

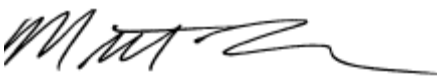
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Deschutes County -- #2027

SEPTEMBER 2012

Secondary Employers

2770 Deschutes County Fair Association

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Deschutes County to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Deschutes County.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Deschutes County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.31%	8.25%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(5.24%)	(5.24%)	(5.24%)	(5.24%)	(5.24%)
Side account rate relief [2]	(0.93%)	(0.93%)	(0.93%)	(0.93%)	(0.93%)
Net pension contribution rate	**14.65%**	**12.59%**	**19.43%**	**10.61%**	**13.34%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.24%**	**13.18%**	**20.02%**	**11.10%**	**13.83%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.74%	7.64%	15.24%	5.97%	8.68%
July 1, 2013 to June 30, 2015	14.65%	12.59%	19.43%	10.61%	13.34%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Deschutes County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$83,170,271	$65,628,366
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(31,808,214)	(32,401,634)
Allocated pooled OPSRP UAL	890,180	632,637
Side account	5,643,078	6,128,776
Net unfunded pension actuarial accrued liability	46,609,159	27,730,593
Combined valuation payroll	52,172,118	50,952,359
Net pension UAL as a percentage of payroll	89%	54%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.24%)	(5.24%)
Side account rate relief	(0.93%)	(0.99%)
Allocated pooled RHIA UAL	$1,351,545	$1,833,185
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$10,663,196	$616,333	5.65%	$11,834,765	$668,664
Tier 2 General Service	10.42%	12,179,316	1,269,085	10.34%	12,321,337	1,274,026
Total General Service		**22,842,512**	**1,885,418**		**24,156,102**	**1,942,690**
Tier 1 Police & Fire	15.06%	5,134,060	773,189	14.74%	4,945,604	728,982
Tier 2 Police & Fire	15.12%	4,708,478	711,922	15.03%	4,433,997	666,430
Total Police & Fire		**9,842,538**	**1,485,111**		**9,379,601**	**1,395,412**
Total		**$32,685,050**	**$3,370,529**		**$33,535,703**	**$3,338,102**
Employer normal cost rate						
General Service			**8.25%**			**8.04%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.31%**			**9.95%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($32,401,634)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(5.68%)
B. Actual employer payroll	26,887,667
C. Payment to transition liability/(surplus)	(1,527,220)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.35%)
B. Actual employer payroll	26,586,250
C. Payment to transition liability/(surplus)	(1,422,364)
4. Supplemental payment to transition liability	0
5. Interest	(2,356,164)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($31,808,214)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(31,808,214)	(32,401,634)
2. Combined valuation payroll	52,172,118	50,952,359
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(5.24%)**	**(5.24%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$6,128,776**	**$6,128,776**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(651,415)	(651,415)
5. Side account earnings during 2011		166,717	166,717
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$5,643,078**	**$5,643,078**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$5,643,078	$6,128,776
Side Account 2	0	0
Side Account 3	0	0
Total	**$5,643,078**	**$6,128,776**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$5,643,078	$6,128,776
2. Combined valuation payroll	52,172,118	50,952,359
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(0.93%)	(0.99%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

Dexter Rural Fire Protection District/2642
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Dexter Rural Fire Protection District/2642

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Dexter Rural Fire Protection District/2642

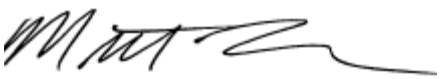
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

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Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Dexter Rural Fire Protection District -- #2642

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Dexter Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Dexter Rural Fire Protection District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Dexter Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.06%	7.92%	15.06%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(3.23%)	(3.23%)	(3.23%)	(3.23%)	(3.23%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**20.58%**	**13.44%**	**20.58%**	**11.79%**	**14.52%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**21.17%**	**14.03%**	**21.17%**	**12.28%**	**15.01%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	17.27%	9.07%	17.27%	7.62%	10.33%
July 1, 2013 to June 30, 2015	20.58%	13.44%	20.58%	11.79%	14.52%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Dexter Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$87,425	$70,698
Allocated pre-SLGRP pooled liability/(surplus)	(11,191)	(11,284)
Transition liability/(surplus)	(20,616)	(20,639)
Allocated pooled OPSRP UAL	936	682
Side account	0	0
Net unfunded pension actuarial accrued liability	56,554	39,457
Combined valuation payroll	54,841	54,888
Net pension UAL as a percentage of payroll	103%	72%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(3.23%)	(3.10%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,421	$1,975
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	54,841	8,259	14.74%	54,888	8,090
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**54,841**	**8,259**		**54,888**	**8,090**
Total		**$54,841**	**$8,259**		**$54,888**	**$8,090**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.06%**			**14.74%**
Aggregate (Default)			**15.06%**			**14.74%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($20,639)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.90%)
B. Actual employer payroll	26,310
C. Payment to transition liability/(surplus)	(763)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.99%)
B. Actual employer payroll	26,310
C. Payment to transition liability/(surplus)	(787)
4. Supplemental payment to transition liability	0
5. Interest	(1,527)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($20,616)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(20,616)	(20,639)
2. Combined valuation payroll	54,841	54,888
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.23%)**	**(3.10%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	54,841	54,888
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

East Umatilla County Rural Fire Protection District/2851
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
East Umatilla County Rural Fire Protection District/2851

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

East Umatilla County Rural Fire Protection District/2851

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

East Umatilla County Rural Fire Protection District -- #2851

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for East Umatilla County Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to East Umatilla County Rural Fire Protection District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for East Umatilla County Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.12%	7.92%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(4.59%)	(4.59%)	(4.59%)	(4.59%)	(4.59%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.28%**	**12.08%**	**19.28%**	**10.43%**	**13.16%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.87%**	**12.67%**	**19.87%**	**10.92%**	**13.65%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.17%	6.81%	14.17%	5.36%	8.07%
July 1, 2013 to June 30, 2015	19.28%	12.08%	19.28%	10.43%	13.16%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

East Umatilla County Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$84,155	$59,457
Allocated pre-SLGRP pooled liability/(surplus)	(10,772)	(9,490)
Transition liability/(surplus)	(28,173)	(28,886)
Allocated pooled OPSRP UAL	901	573
Side account	0	0
Net unfunded pension actuarial accrued liability	46,111	21,654
Combined valuation payroll	52,790	46,161
Net pension UAL as a percentage of payroll	87%	47%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(4.59%)	(5.16%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,368	$1,661
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	52,790	7,982	15.03%	46,161	6,938
Total Police & Fire		**52,790**	**7,982**		**46,161**	**6,938**
Total		**$52,790**	**$7,982**		**$46,161**	**$6,938**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**15.12%**			**15.03%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($28,886)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(5.95%)
B. Actual employer payroll	22,317
C. Payment to transition liability/(surplus)	(1,328)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.25%)
B. Actual employer payroll	28,048
C. Payment to transition liability/(surplus)	(1,472)
4. Supplemental payment to transition liability	0
5. Interest	(2,087)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($28,173)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(28,173)	(28,886)
2. Combined valuation payroll	52,790	46,161
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.59%)**	**(5.16%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	52,790	46,161
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Eisenschmidt Pool/2784
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
Eisenschmidt Pool/2784

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Eisenschmidt Pool/2784

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Eisenschmidt Pool -- #2784

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Eisenschmidt Pool to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Eisenschmidt Pool.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Eisenschmidt Pool

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(4.42%)	(4.42%)	(4.42%)	(4.42%)	(4.42%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.51%**	**16.51%**	**21.18%**	**12.36%**	**15.09%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.10%**	**17.10%**	**21.77%**	**12.85%**	**15.58%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.07%	11.07%	16.54%	7.31%	10.02%
July 1, 2013 to June 30, 2015	16.51%	16.51%	21.18%	12.36%	15.09%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Eisenschmidt Pool

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$271,541	$246,003
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(87,597)	(96,441)
Allocated pooled OPSRP UAL	2,906	2,371
Side account	0	0
Net unfunded pension actuarial accrued liability	186,850	151,933
Combined valuation payroll	170,336	190,991
Net pension UAL as a percentage of payroll	110%	80%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.42%)	(4.16%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$4,413	$6,872
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	119,755	12,478	10.34%	116,083	12,003
Total General Service		**119,755**	**12,478**		**116,083**	**12,003**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$119,755**	**$12,478**		**$116,083**	**$12,003**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($96,441)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(8.13%)
B. Actual employer payroll	117,373
C. Payment to transition liability/(surplus)	(9,542)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.00%)
B. Actual employer payroll	115,804
C. Payment to transition liability/(surplus)	(5,791)
4. Supplemental payment to transition liability	0
5. Interest	(6,489)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($87,597)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(87,597)	(96,441)
2. Combined valuation payroll	170,336	190,991
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.42%)**	**(4.16%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	170,336	190,991
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Estacada Fire Department/2557
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Estacada Fire Department/2557

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Estacada Fire Department/2557

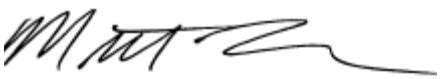
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Estacada Fire Department -- #2557

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Estacada Fire Department to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Estacada Fire Department.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Estacada Fire Department

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.07%	7.92%	15.07%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(18.20%)	(18.20%)	(18.20%)	(18.20%)	(18.20%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**5.62%**	**0.00%**	**5.62%**	**0.00%**	**0.00%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**6.21%**	**0.59%**	**6.21%**	**0.49%**	**0.49%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	1.84%	0.00%	1.84%	0.00%	0.00%
July 1, 2013 to June 30, 2015	5.62%	0.00%	5.62%	0.00%	0.00%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Estacada Fire Department

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,165,059	$1,019,241
Allocated pre-SLGRP pooled liability/(surplus)	(149,129)	(162,674)
Transition liability/(surplus)	(1,546,501)	(1,545,042)
Allocated pooled OPSRP UAL	12,470	9,825
Side account	0	0
Net unfunded pension actuarial accrued liability	(518,101)	(678,650)
Combined valuation payroll	730,833	791,315
Net pension UAL as a percentage of payroll	(71%)	(86%)
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(18.20%)	(16.09%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$18,933	$28,470
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	329,380	49,605	14.74%	414,679	61,124
Tier 2 Police & Fire	15.12%	74,285	11,232	15.03%	71,934	10,812
Total Police & Fire		**403,665**	**60,837**		**486,613**	**71,936**
Total		**$403,665**	**$60,837**		**$486,613**	**$71,936**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.07%**			**14.78%**
Aggregate (Default)			**15.07%**			**14.78%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,545,042)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(15.40%)
B. Actual employer payroll	411,169
C. Payment to transition liability/(surplus)	(56,879)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(18.31%)
B. Actual employer payroll	353,909
C. Payment to transition liability/(surplus)	(56,218)
4. Supplemental payment to transition liability	0
5. Interest	(114,556)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,546,501)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,546,501)	(1,545,042)
2. Combined valuation payroll	730,833	791,315
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(18.20%)**	**(16.09%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	730,833	791,315
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Fairview Water District/2798
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Fairview Water District/2798

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Fairview Water District/2798

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Fairview Water District -- #2798

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Fairview Water District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Fairview Water District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Fairview Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.78%	5.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(1.36%)	(1.36%)	(1.36%)	(1.36%)	(1.36%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**13.17%**	**13.17%**	**22.48%**	**13.66%**	**16.39%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.76%**	**13.76%**	**23.07%**	**14.15%**	**16.88%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.84%	10.84%	18.66%	9.43%	12.14%
July 1, 2013 to June 30, 2015	13.17%	13.17%	22.48%	13.66%	16.39%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Fairview Water District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$137,421	$113,276
Allocated pre-SLGRP pooled liability/(surplus)	(17,590)	(18,079)
Transition liability/(surplus)	(13,652)	(13,724)
Allocated pooled OPSRP UAL	1,471	1,092
Side account	0	0
Net unfunded pension actuarial accrued liability	107,650	82,565
Combined valuation payroll	86,203	87,945
Net pension UAL as a percentage of payroll	125%	94%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(1.36%)	(1.29%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,233	$3,164
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$60,233	$3,481	5.65%	$49,978	$2,824
Tier 2 General Service	10.42%	0	0	10.34%	37,967	3,926
Total General Service		**60,233**	**3,481**		**87,945**	**6,750**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$60,233**	**$3,481**		**$87,945**	**$6,750**
Employer normal cost rate						
General Service			**5.78%**			**7.68%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.78%**			**7.68%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($13,724)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.20%)
B. Actual employer payroll	47,480
C. Payment to transition liability/(surplus)	(570)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.18%)
B. Actual employer payroll	43,570
C. Payment to transition liability/(surplus)	(513)
4. Supplemental payment to transition liability	0
5. Interest	(1,011)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($13,652)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(13,652)	(13,724)
2. Combined valuation payroll	86,203	87,945
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.36%)**	**(1.29%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	86,203	87,945
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

Farmers Irrigation District/2789
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Farmers Irrigation District/2789

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Farmers Irrigation District/2789

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Farmers Irrigation District -- #2789

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Farmers Irrigation District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Farmers Irrigation District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Farmers Irrigation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	6.55%	6.55%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(8.64%)	(8.64%)	(8.64%)	(8.64%)	(8.64%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**8.42%**	**8.42%**	**16.96%**	**8.14%**	**10.87%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**9.01%**	**9.01%**	**17.55%**	**8.63%**	**11.36%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	5.82%	5.82%	14.44%	5.21%	7.92%
July 1, 2013 to June 30, 2015	8.42%	8.42%	16.96%	8.14%	10.87%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Farmers Irrigation District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$992,009	$943,137
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(625,245)	(634,690)
Allocated pooled OPSRP UAL	10,618	9,092
Side account	0	0
Net unfunded pension actuarial accrued liability	377,382	317,539
Combined valuation payroll	622,280	732,230
Net pension UAL as a percentage of payroll	61%	43%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(8.64%)	(7.14%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$16,120	$26,344
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$282,254	$16,314	5.65%	$379,704	$21,453
Tier 2 General Service	10.42%	55,864	5,821	10.34%	113,555	11,742
Total General Service		**338,118**	**22,135**		**493,259**	**33,195**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$338,118**	**$22,135**		**$493,259**	**$33,195**
Employer normal cost rate						
General Service			**6.55%**			**6.73%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**6.55%**			**6.73%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($634,690)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(7.04%)
B. Actual employer payroll	357,262
C. Payment to transition liability/(surplus)	(25,151)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(7.10%)
B. Actual employer payroll	431,107
C. Payment to transition liability/(surplus)	(30,608)
4. Supplemental payment to transition liability	0
5. Interest	(46,314)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($625,245)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(625,245)	(634,690)
2. Combined valuation payroll	622,280	732,230
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(8.64%)**	**(7.14%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	622,280	732,230
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Gilliam County/2022
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Gilliam County/2022

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
Gilliam County/2022

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Gilliam County -- #2022

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Gilliam County to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Gilliam County.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Gilliam County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.11%	7.98%	15.11%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.81%)	(0.81%)	(0.81%)	(0.81%)	(0.81%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.05%**	**15.92%**	**23.05%**	**14.21%**	**16.94%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.64%**	**16.51%**	**23.64%**	**14.70%**	**17.43%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.18%	11.30%	18.84%	9.80%	12.51%
July 1, 2013 to June 30, 2015	17.05%	15.92%	23.05%	14.21%	16.94%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Gilliam County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$2,933,711	$2,401,222
Allocated pre-SLGRP pooled liability/(surplus)	(375,519)	(383,243)
Transition liability/(surplus)	(173,793)	(177,646)
Allocated pooled OPSRP UAL	31,400	23,147
Side account	0	0
Net unfunded pension actuarial accrued liability	2,415,799	1,863,480
Combined valuation payroll	1,840,296	1,864,254
Net pension UAL as a percentage of payroll	131%	100%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.81%)	(0.79%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$47,674	$67,073
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$630,486	$36,442	5.65%	$656,541	$37,095
Tier 2 General Service	10.42%	567,993	59,185	10.34%	558,409	57,739
Total General Service		**1,198,479**	**95,627**		**1,214,950**	**94,834**
Tier 1 Police & Fire	15.06%	48,325	7,278	14.74%	47,007	6,929
Tier 2 Police & Fire	15.12%	177,845	26,890	15.03%	177,075	26,614
Total Police & Fire		**226,170**	**34,168**		**224,082**	**33,543**
Total		**$1,424,649**	**$129,795**		**$1,439,032**	**$128,377**
Employer normal cost rate						
General Service			**7.98%**			**7.81%**
Police & Fire			**15.11%**			**14.97%**
Aggregate (Default)			**9.11%**			**8.92%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($177,646)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.92%)
B. Actual employer payroll	951,710
C. Payment to transition liability/(surplus)	(8,756)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.81%)
B. Actual employer payroll	984,135
C. Payment to transition liability/(surplus)	(7,971)
4. Supplemental payment to transition liability	0
5. Interest	(12,874)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($173,793)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(173,793)	(177,646)
2. Combined valuation payroll	1,840,296	1,864,254
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.81%)**	**(0.79%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,840,296	1,864,254
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Glide Fire Department/2824
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Glide Fire Department/2824

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Glide Fire Department/2824

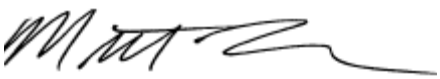
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Glide Fire Department -- #2824

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Glide Fire Department to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Glide Fire Department.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Glide Fire Department

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.78%	5.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(6.54%)	(6.54%)	(6.54%)	(6.54%)	(6.54%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**9.75%**	**9.75%**	**19.06%**	**10.24%**	**12.97%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**10.34%**	**10.34%**	**19.65%**	**10.73%**	**13.46%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.01%	6.21%	16.17%	6.54%	9.25%
July 1, 2013 to June 30, 2015	9.75%	9.75%	19.06%	10.24%	12.97%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Glide Fire Department

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$66,293	$7,642
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(31,598)	(32,620)
Allocated pooled OPSRP UAL	710	74
Side account	0	0
Net unfunded pension actuarial accrued liability	35,405	(24,904)
Combined valuation payroll	41,585	5,933
Net pension UAL as a percentage of payroll	85%	(420%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(6.54%)	(45.31%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,077	$213
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$16,110	$931	5.65%	$5,933	$335
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**16,110**	**931**		**5,933**	**335**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$16,110**	**$931**		**$5,933**	**$335**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.78%**			**5.65%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($32,620)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(4.91%)
B. Actual employer payroll	29,309
C. Payment to transition liability/(surplus)	(1,439)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.77%)
B. Actual employer payroll	33,352
C. Payment to transition liability/(surplus)	(1,924)
4. Supplemental payment to transition liability	0
5. Interest	(2,341)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($31,598)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(31,598)	(32,620)
2. Combined valuation payroll	41,585	5,933
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(6.54%)**	**(45.31%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	41,585	5,933
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Goshen Fire District/2573
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Goshen Fire District/2573

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Goshen Fire District/2573

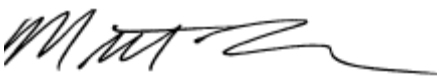
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Goshen Fire District -- #2573

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Goshen Fire District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Goshen Fire District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Goshen Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.06%	7.92%	15.06%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	9.48%	9.48%	9.48%	9.48%	9.48%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**35.05%**	**27.91%**	**35.05%**	**26.26%**	**28.99%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**35.64%**	**28.50%**	**35.64%**	**26.75%**	**29.48%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	31.03%	22.83%	31.03%	21.38%	24.09%
July 1, 2013 to June 30, 2015	35.05%	27.91%	35.05%	26.26%	28.99%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Goshen Fire District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$252,960	$258,905
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	174,848	166,340
Allocated pooled OPSRP UAL	2,707	2,496
Side account	0	0
Net unfunded pension actuarial accrued liability	430,515	427,741
Combined valuation payroll	158,680	201,008
Net pension UAL as a percentage of payroll	271%	213%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	9.48%	6.82%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$4,111	$7,232
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	83,941	12,642	14.74%	83,486	12,306
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**83,941**	**12,642**		**83,486**	**12,306**
Total		**$83,941**	**$12,642**		**$83,486**	**$12,306**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.06%**			**14.74%**
Aggregate (Default)			**15.06%**			**14.74%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$166,340
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.54%)
B. Actual employer payroll	50,347
C. Payment to transition liability/(surplus)	(1,279)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	9.07%
B. Actual employer payroll	63,098
C. Payment to transition liability/(surplus)	5,723
4. Supplemental payment to transition liability	0
5. Interest	12,952
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$174,848**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	174,848	166,340
2. Combined valuation payroll	158,680	201,008
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**9.48%**	**6.82%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	158,680	201,008
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Grant County/2012
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Grant County/2012

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012

Grant County/2012

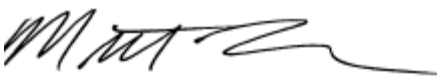
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Grant County -- #2012

SEPTEMBER 2012

Secondary Employers

2735 Grant County Extension and 4-H Service District

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Grant County to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Grant County.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Grant County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.37%	7.73%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(14.99%)	(14.99%)	(14.99%)	(14.99%)	(14.99%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**3.13%**	**1.49%**	**8.86%**	**0.03%**	**2.76%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**3.72%**	**2.08%**	**9.45%**	**0.52%**	**3.25%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	0.00%	0.00%	5.57%	0.00%	0.00%
July 1, 2013 to June 30, 2015	3.13%	1.49%	8.86%	0.03%	2.76%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Grant County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$4,923,377	$3,900,491
Allocated pre-SLGRP pooled liability/(surplus)	(630,200)	(622,532)
Transition liability/(surplus)	(5,382,105)	(5,337,509)
Allocated pooled OPSRP UAL	52,695	37,600
Side account	0	0
Net unfunded pension actuarial accrued liability	(1,036,233)	(2,021,950)
Combined valuation payroll	3,088,399	3,028,252
Net pension UAL as a percentage of payroll	(34%)	(67%)
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(14.99%)	(14.53%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$80,007	$108,952
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$674,686	$38,997	5.65%	$803,356	$45,390
Tier 2 General Service	10.42%	489,467	51,002	10.34%	529,554	54,756
Total General Service		**1,164,153**	**89,999**		**1,332,910**	**100,146**
Tier 1 Police & Fire	15.06%	121,137	18,243	14.74%	163,901	24,159
Tier 2 Police & Fire	15.12%	212,455	32,123	15.03%	200,296	30,104
Total Police & Fire		**333,592**	**50,366**		**364,197**	**54,263**
Total		**$1,497,745**	**$140,365**		**$1,697,107**	**$154,409**
Employer normal cost rate						
General Service			**7.73%**			**7.51%**
Police & Fire			**15.10%**			**14.90%**
Aggregate (Default)			**9.37%**			**9.10%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($5,337,509)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(9.20%)
B. Actual employer payroll	1,588,528
C. Payment to transition liability/(surplus)	(147,380)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(13.38%)
B. Actual employer payroll	1,674,645
C. Payment to transition liability/(surplus)	(206,698)
4. Supplemental payment to transition liability	0
5. Interest	(398,674)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($5,382,105)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	**December 31, 2010**
1. Total transition liability/(surplus)	(5,382,105)	(5,337,509)
2. Combined valuation payroll	3,088,399	3,028,252
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(14.99%)**	**(14.53%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	3,088,399	3,028,252
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Grants Pass Irrigation District/2511
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Grants Pass Irrigation District/2511

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Grants Pass Irrigation District/2511

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Grants Pass Irrigation District -- #2511

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Grants Pass Irrigation District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Grants Pass Irrigation District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Grants Pass Irrigation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.78%	5.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.89%	0.89%	0.89%	0.89%	0.89%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.42%**	**15.42%**	**24.73%**	**15.91%**	**18.64%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.01%**	**16.01%**	**25.32%**	**16.40%**	**19.13%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.19%	11.19%	20.75%	11.52%	14.23%
July 1, 2013 to June 30, 2015	15.42%	15.42%	24.73%	15.91%	18.64%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Grants Pass Irrigation District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$766,086	$578,022
Allocated pre-SLGRP pooled liability/(surplus)	(98,060)	(92,254)
Transition liability/(surplus)	49,587	51,078
Allocated pooled OPSRP UAL	8,199	5,572
Side account	0	0
Net unfunded pension actuarial accrued liability	725,812	542,418
Combined valuation payroll	480,560	448,763
Net pension UAL as a percentage of payroll	151%	121%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.89%	0.94%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$12,449	$16,146
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$325,308	$18,803	5.65%	$317,654	$17,947
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**325,308**	**18,803**		**317,654**	**17,947**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$325,308**	**$18,803**		**$317,654**	**$17,947**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.78%**			**5.65%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$51,078
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	1.21%
B. Actual employer payroll	237,186
C. Payment to transition liability/(surplus)	2,870
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.91%
B. Actual employer payroll	252,124
C. Payment to transition liability/(surplus)	2,294
4. Supplemental payment to transition liability	0
5. Interest	3,673
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$49,587**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	49,587	51,078
2. Combined valuation payroll	480,560	448,763
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.89%**	**0.94%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	480,560	448,763
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Green Sanitary/2765
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Green Sanitary/2765

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
Green Sanitary/2765

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Green Sanitary -- #2765

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Green Sanitary to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Green Sanitary.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Green Sanitary

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.04%	8.04%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(1.60%)	(1.60%)	(1.60%)	(1.60%)	(1.60%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.19%**	**15.19%**	**22.24%**	**13.42%**	**16.15%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.78%**	**15.78%**	**22.83%**	**13.91%**	**16.64%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.57%	10.57%	18.12%	8.89%	11.60%
July 1, 2013 to June 30, 2015	15.19%	15.19%	22.24%	13.42%	16.15%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Green Sanitary

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$388,270	$302,794
Allocated pre-SLGRP pooled liability/(surplus)	(49,699)	(48,327)
Transition liability/(surplus)	(45,306)	(46,112)
Allocated pooled OPSRP UAL	4,156	2,919
Side account	0	0
Net unfunded pension actuarial accrued liability	297,421	211,274
Combined valuation payroll	243,559	235,082
Net pension UAL as a percentage of payroll	122%	90%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(1.60%)	(1.62%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$6,310	$8,458
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$125,123	$7,232	5.65%	$121,361	$6,857
Tier 2 General Service	10.42%	118,436	12,341	10.34%	113,721	11,759
Total General Service		**243,559**	**19,573**		**235,082**	**18,616**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$243,559**	**$19,573**		**$235,082**	**$18,616**
Employer normal cost rate						
General Service			**8.04%**			**7.92%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.04%**			**7.92%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($46,112)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.85%)
B. Actual employer payroll	112,666
C. Payment to transition liability/(surplus)	(2,084)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.72%)
B. Actual employer payroll	120,797
C. Payment to transition liability/(surplus)	(2,078)
4. Supplemental payment to transition liability	0
5. Interest	(3,356)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($45,306)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(45,306)	(46,112)
2. Combined valuation payroll	243,559	235,082
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.60%)**	**(1.62%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	243,559	235,082
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Harney County/2004
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Harney County/2004

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012

Harney County/2004

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Harney County -- #2004

SEPTEMBER 2012

Secondary Employers

2041 Harney District Hospital

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Harney County to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Harney County.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Harney County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.42%	7.79%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(2.55%)	(2.55%)	(2.55%)	(2.55%)	(2.55%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.62%**	**13.99%**	**21.30%**	**12.47%**	**15.20%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.21%**	**14.58%**	**21.89%**	**12.96%**	**15.69%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.95%	9.96%	17.66%	8.67%	11.38%
July 1, 2013 to June 30, 2015	15.62%	13.99%	21.30%	12.47%	15.20%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Harney County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$5,091,448	$5,342,664
Allocated pre-SLGRP pooled liability/(surplus)	(651,713)	(852,708)
Transition liability/(surplus)	(945,941)	(950,697)
Allocated pooled OPSRP UAL	54,494	51,502
Side account	0	0
Net unfunded pension actuarial accrued liability	3,548,288	3,590,761
Combined valuation payroll	3,193,829	4,147,922
Net pension UAL as a percentage of payroll	111%	87%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(2.55%)	(1.89%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$82,738	$149,236
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$776,395	$44,876	5.65%	$1,269,602	$71,733
Tier 2 General Service	10.42%	593,755	61,869	10.34%	871,402	90,103
Total General Service		**1,370,150**	**106,745**		**2,141,004**	**161,836**
Tier 1 Police & Fire	15.06%	109,776	16,532	14.74%	93,354	13,760
Tier 2 Police & Fire	15.12%	284,048	42,948	15.03%	278,842	41,910
Total Police & Fire		**393,824**	**59,480**		**372,196**	**55,670**
Total		**$1,763,974**	**$166,225**		**$2,513,200**	**$217,506**
Employer normal cost rate						
General Service			**7.79%**			**7.56%**
Police & Fire			**15.10%**			**14.96%**
Aggregate (Default)			**9.42%**			**8.65%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($950,697)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.91%)
B. Actual employer payroll	2,130,898
C. Payment to transition liability/(surplus)	(40,700)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.94%)
B. Actual employer payroll	1,759,056
C. Payment to transition liability/(surplus)	(34,126)
4. Supplemental payment to transition liability	0
5. Interest	(70,070)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($945,941)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(945,941)	(950,697)
2. Combined valuation payroll	3,193,829	4,147,922
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.55%)**	**(1.89%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	3,193,829	4,147,922
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Harney Hospital/2855
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Harney Hospital/2855

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Harney Hospital/2855

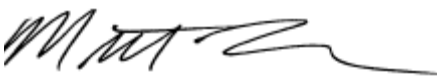
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Harney Hospital -- #2855

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Harney Hospital to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Harney Hospital.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Harney Hospital

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.87%	8.87%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(7.14%)	(7.14%)	(7.14%)	(7.14%)	(7.14%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**12.24%**	**12.24%**	**18.46%**	**9.64%**	**12.37%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**12.83%**	**12.83%**	**19.05%**	**10.13%**	**12.86%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	7.40%	7.40%	14.05%	4.82%	7.53%
July 1, 2013 to June 30, 2015	12.24%	12.24%	18.46%	9.64%	12.37%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Harney Hospital

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$8,439,605	$7,155,022
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(4,394,439)	(4,484,535)
Allocated pooled OPSRP UAL	90,330	68,972
Side account	0	0
Net unfunded pension actuarial accrued liability	4,135,496	2,739,459
Combined valuation payroll	5,294,104	5,554,995
Net pension UAL as a percentage of payroll	78%	49%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(7.14%)	(6.65%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$137,146	$199,860
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$776,750	$44,896	5.65%	$844,116	$47,693
Tier 2 General Service	10.42%	1,543,758	160,860	10.34%	1,731,350	179,022
Total General Service		**2,320,508**	**205,756**		**2,575,466**	**226,715**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$2,320,508**	**$205,756**		**$2,575,466**	**$226,715**
Employer normal cost rate						
General Service			**8.87%**			**8.80%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.87%**			**8.80%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($4,484,535)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(7.72%)
B. Actual employer payroll	2,720,426
C. Payment to transition liability/(surplus)	(210,017)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(7.49%)
B. Actual employer payroll	2,744,892
C. Payment to transition liability/(surplus)	(205,593)
4. Supplemental payment to transition liability	0
5. Interest	(325,514)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($4,394,439)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(4,394,439)	(4,484,535)
2. Combined valuation payroll	5,294,104	5,554,995
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(7.14%)**	**(6.65%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	5,294,104	5,554,995
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Harrisburg Fire/Rescue/2819
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Harrisburg Fire/Rescue/2819

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Harrisburg Fire/Rescue/2819

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Harrisburg Fire/Rescue -- #2819

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Harrisburg Fire/Rescue to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Harrisburg Fire/Rescue.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Harrisburg Fire/Rescue

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.06%	7.92%	15.06%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.52%)	(0.52%)	(0.52%)	(0.52%)	(0.52%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**23.29%**	**16.15%**	**23.29%**	**14.50%**	**17.23%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**23.88%**	**16.74%**	**23.88%**	**14.99%**	**17.72%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	18.55%	11.19%	18.55%	9.74%	12.45%
July 1, 2013 to June 30, 2015	23.29%	16.15%	23.29%	14.50%	17.23%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Harrisburg Fire/Rescue

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$287,846	$144,248
Allocated pre-SLGRP pooled liability/(surplus)	(36,845)	(23,023)
Transition liability/(surplus)	(10,988)	(11,425)
Allocated pooled OPSRP UAL	3,081	1,391
Side account	0	0
Net unfunded pension actuarial accrued liability	243,094	111,191
Combined valuation payroll	180,564	111,991
Net pension UAL as a percentage of payroll	135%	99%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.52%)	(0.84%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$4,678	$4,029
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	114,469	17,239	14.74%	0	0
Tier 2 Police & Fire	15.12%	4,269	645	15.03%	51,426	7,729
Total Police & Fire		**118,738**	**17,884**		**51,426**	**7,729**
Total		**$118,738**	**$17,884**		**$51,426**	**$7,729**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.06%**			**15.03%**
Aggregate (Default)			**15.06%**			**15.03%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($11,425)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.44%)
B. Actual employer payroll	55,164
C. Payment to transition liability/(surplus)	(794)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.87%)
B. Actual employer payroll	52,506
C. Payment to transition liability/(surplus)	(457)
4. Supplemental payment to transition liability	0
5. Interest	(814)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($10,988)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(10,988)	(11,425)
2. Combined valuation payroll	180,564	111,991
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.52%)**	**(0.84%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	180,564	111,991
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

High Desert Parks & Recreation District/2838
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
High Desert Parks & Recreation District/2838

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

High Desert Parks & Recreation District/2838

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

High Desert Parks & Recreation District -- #2838

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for High Desert Parks & Recreation District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to High Desert Parks & Recreation District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for High Desert Parks & Recreation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.39%	0.39%	0.39%	0.39%	0.39%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.56%**	**19.56%**	**24.23%**	**15.41%**	**18.14%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.15%**	**20.15%**	**24.82%**	**15.90%**	**18.63%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.75%	14.75%	20.22%	10.99%	13.70%
July 1, 2013 to June 30, 2015	19.56%	19.56%	24.23%	15.41%	18.14%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

High Desert Parks & Recreation District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$37,840	$30,161
Allocated pre-SLGRP pooled liability/(surplus)	(4,844)	(4,814)
Transition liability/(surplus)	1,071	1,067
Allocated pooled OPSRP UAL	405	291
Side account	0	0
Net unfunded pension actuarial accrued liability	34,472	26,705
Combined valuation payroll	23,737	23,416
Net pension UAL as a percentage of payroll	145%	114%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.39%	0.38%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$615	$842
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	23,737	2,473	10.34%	23,416	2,421
Total General Service		**23,737**	**2,473**		**23,416**	**2,421**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$23,737**	**$2,473**		**$23,416**	**$2,421**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$1,067
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.28%
B. Actual employer payroll	11,129
C. Payment to transition liability/(surplus)	31
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.38%
B. Actual employer payroll	11,463
C. Payment to transition liability/(surplus)	44
4. Supplemental payment to transition liability	0
5. Interest	79
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$1,071**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	1,071	1,067
2. Combined valuation payroll	23,737	23,416
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.39%**	**0.38%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	23,737	23,416
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Hood River County/2035
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Hood River County/2035

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
Hood River County/2035

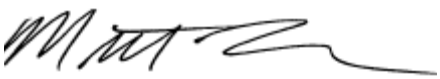
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Hood River County -- #2035

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Hood River County to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Hood River County.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Hood River County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.51%	8.31%	15.08%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(3.92%)	(3.92%)	(3.92%)	(3.92%)	(3.92%)
Side account rate relief [2]	(6.09%)	(6.09%)	(6.09%)	(6.09%)	(6.09%)
Net pension contribution rate	**10.01%**	**8.81%**	**15.58%**	**6.77%**	**9.50%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**10.60%**	**9.40%**	**16.17%**	**7.26%**	**9.99%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	7.31%	5.95%	13.43%	4.04%	6.75%
July 1, 2013 to June 30, 2015	10.01%	8.81%	15.58%	6.77%	9.50%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Hood River County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$10,511,962	$8,350,493
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(3,008,172)	(2,991,186)
Allocated pooled OPSRP UAL	112,511	80,496
Side account	4,670,301	4,921,101
Net unfunded pension actuarial accrued liability	2,946,000	518,702
Combined valuation payroll	6,594,079	6,483,131
Net pension UAL as a percentage of payroll	45%	8%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.92%)	(3.80%)
Side account rate relief	(6.09%)	(6.26%)
Allocated pooled RHIA UAL	$170,823	$233,253
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$1,911,804	$110,502	5.65%	$1,856,928	$104,916
Tier 2 General Service	10.42%	2,295,712	239,213	10.34%	2,292,131	237,006
Total General Service		**4,207,516**	**349,715**		**4,149,059**	**341,922**
Tier 1 Police & Fire	15.06%	554,993	83,582	14.74%	574,115	84,625
Tier 2 Police & Fire	15.12%	349,034	52,774	15.03%	333,121	50,068
Total Police & Fire		**904,027**	**136,356**		**907,236**	**134,693**
Total		**$5,111,543**	**$486,071**		**$5,056,295**	**$476,615**
Employer normal cost rate						
General Service			**8.31%**			**8.24%**
Police & Fire			**15.08%**			**14.85%**
Aggregate (Default)			**9.51%**			**9.43%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($2,991,186)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.06%)
B. Actual employer payroll	3,277,451
C. Payment to transition liability/(surplus)	(100,290)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(3.17%)
B. Actual employer payroll	3,329,699
C. Payment to transition liability/(surplus)	(105,552)
4. Supplemental payment to transition liability	0
5. Interest	(222,828)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($3,008,172)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	**December 31, 2010**
1. Total transition liability/(surplus)	(3,008,172)	(2,991,186)
2. Combined valuation payroll	6,594,079	6,483,131
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.92%)**	**(3.80%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$4,921,101**	**$4,921,101**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(380,277)	(380,277)
5. Side account earnings during 2011		130,477	130,477
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$4,670,301**	**$4,670,301**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$4,670,301	$4,921,101
Side Account 2	0	0
Side Account 3	0	0
Total	**$4,670,301**	**$4,921,101**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$4,670,301	$4,921,101
2. Combined valuation payroll	6,594,079	6,483,131
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(6.09%)	(6.26%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Hoodland Fire District #74/2607
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Hoodland Fire District #74/2607

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Hoodland Fire District #74/2607

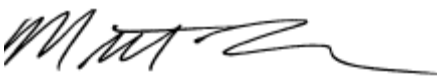
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Hoodland Fire District #74 -- #2607

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Hoodland Fire District #74 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Hoodland Fire District #74.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Hoodland Fire District #74

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.63%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(2.26%)	(2.26%)	(2.26%)	(2.26%)	(2.26%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**21.12%**	**16.91%**	**21.58%**	**12.76%**	**15.49%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**21.71%**	**17.50%**	**22.17%**	**13.25%**	**15.98%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	16.83%	11.95%	17.39%	8.19%	10.90%
July 1, 2013 to June 30, 2015	21.12%	16.91%	21.58%	12.76%	15.49%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Hoodland Fire District #74

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,129,407	$903,042
Allocated pre-SLGRP pooled liability/(surplus)	(144,566)	(144,129)
Transition liability/(surplus)	(186,395)	(191,210)
Allocated pooled OPSRP UAL	12,088	8,705
Side account	0	0
Net unfunded pension actuarial accrued liability	810,534	576,408
Combined valuation payroll	708,469	701,101
Net pension UAL as a percentage of payroll	114%	82%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(2.26%)	(2.25%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$18,353	$25,225
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	51,935	5,412	10.34%	50,041	5,174
Total General Service		**51,935**	**5,412**		**50,041**	**5,174**
Tier 1 Police & Fire	15.06%	224,885	33,868	14.74%	222,227	32,756
Tier 2 Police & Fire	15.12%	253,707	38,360	15.03%	257,340	38,678
Total Police & Fire		**478,592**	**72,228**		**479,567**	**71,434**
Total		**$530,527**	**$77,640**		**$529,608**	**$76,608**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.90%**
Aggregate (Default)			**14.63%**			**14.47%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($191,210)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.06%)
B. Actual employer payroll	335,758
C. Payment to transition liability/(surplus)	(10,274)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.42%)
B. Actual employer payroll	344,969
C. Payment to transition liability/(surplus)	(8,348)
4. Supplemental payment to transition liability	0
5. Interest	(13,807)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($186,395)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(186,395)	(191,210)
2. Combined valuation payroll	708,469	701,101
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.26%)**	**(2.25%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	708,469	701,101
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Horsefly Irrigation District/2510
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Horsefly Irrigation District/2510

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Horsefly Irrigation District/2510

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Horsefly Irrigation District -- #2510

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Horsefly Irrigation District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Horsefly Irrigation District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Horsefly Irrigation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.15%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	8.91%	8.91%	8.91%	8.91%	8.91%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**28.57%**	**27.34%**	**34.51%**	**25.69%**	**28.42%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**29.16%**	**27.93%**	**35.10%**	**26.18%**	**28.91%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	20.29%	18.98%	26.76%	17.53%	20.24%
July 1, 2013 to June 30, 2015	28.57%	27.34%	34.51%	25.69%	28.42%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Horsefly Irrigation District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$74,608	$94,907
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	48,473	50,644
Allocated pooled OPSRP UAL	799	915
Side account	0	0
Net unfunded pension actuarial accrued liability	123,880	146,466
Combined valuation payroll	46,801	73,684
Net pension UAL as a percentage of payroll	265%	199%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	8.91%	5.66%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,212	$2,651
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$0**	**$0**		**$0**	**$0**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.15%**			**8.96%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$50,644
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	10.44%
B. Actual employer payroll	35,400
C. Payment to transition liability/(surplus)	3,696
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	5.22%
B. Actual employer payroll	39,575
C. Payment to transition liability/(surplus)	2,066
4. Supplemental payment to transition liability	0
5. Interest	3,591
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$48,473**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	48,473	50,644
2. Combined valuation payroll	46,801	73,684
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**8.91%**	**5.66%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	46,801	73,684
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Housing Authority of Jackson County/2773
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Housing Authority of Jackson County/2773

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Housing Authority of Jackson County/2773

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Housing Authority of Jackson County -- #2773

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Housing Authority of Jackson County to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Housing Authority of Jackson County.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Housing Authority of Jackson County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.10%	9.10%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	1.83%	1.83%	1.83%	1.83%	1.83%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.68%**	**19.68%**	**25.67%**	**16.85%**	**19.58%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.27%**	**20.27%**	**26.26%**	**17.34%**	**20.07%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.10%	15.10%	21.85%	12.62%	15.33%
July 1, 2013 to June 30, 2015	19.68%	19.68%	25.67%	16.85%	19.58%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Housing Authority of Jackson County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$3,675,457	$2,772,991
Allocated pre-SLGRP pooled liability/(surplus)	(470,464)	(442,579)
Transition liability/(surplus)	490,133	506,644
Allocated pooled OPSRP UAL	39,339	26,731
Side account	0	0
Net unfunded pension actuarial accrued liability	3,734,465	2,863,787
Combined valuation payroll	2,305,588	2,152,887
Net pension UAL as a percentage of payroll	162%	133%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	1.83%	1.94%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$59,727	$77,457
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$404,661	$23,389	5.65%	$392,426	$22,172
Tier 2 General Service	10.42%	1,020,044	106,289	10.34%	951,121	98,346
Total General Service		**1,424,705**	**129,678**		**1,343,547**	**120,518**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$1,424,705**	**$129,678**		**$1,343,547**	**$120,518**
Employer normal cost rate						
General Service			**9.10%**			**8.97%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.10%**			**8.97%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$506,644
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	2.33%
B. Actual employer payroll	1,195,247
C. Payment to transition liability/(surplus)	27,849
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	2.01%
B. Actual employer payroll	1,242,181
C. Payment to transition liability/(surplus)	24,968
4. Supplemental payment to transition liability	0
5. Interest	36,306
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$490,133**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	490,133	506,644
2. Combined valuation payroll	2,305,588	2,152,887
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**1.83%**	**1.94%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	2,305,588	2,152,887
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

Hubbard Rural Fire Protection District/2829
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Hubbard Rural Fire Protection District/2829

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Hubbard Rural Fire Protection District/2829

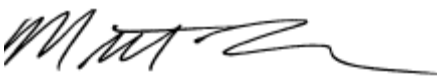
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

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Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Hubbard Rural Fire Protection District -- #2829

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Hubbard Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Hubbard Rural Fire Protection District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Hubbard Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.15%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(13.12%)	(13.12%)	(13.12%)	(13.12%)	(13.12%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**6.54%**	**5.31%**	**12.48%**	**3.66%**	**6.39%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**7.13%**	**5.90%**	**13.07%**	**4.15%**	**6.88%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	0.11%	0.00%	6.58%	0.00%	0.06%
July 1, 2013 to June 30, 2015	6.54%	5.31%	12.48%	3.66%	6.39%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Hubbard Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$78,243	$58,597
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(74,848)	(76,234)
Allocated pooled OPSRP UAL	837	565
Side account	0	0
Net unfunded pension actuarial accrued liability	4,232	(17,072)
Combined valuation payroll	49,081	45,493
Net pension UAL as a percentage of payroll	9%	(38%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(13.12%)	(13.81%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,271	$1,637
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$0**	**$0**		**$0**	**$0**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.15%**			**8.96%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($76,234)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(14.96%)
B. Actual employer payroll	22,575
C. Payment to transition liability/(surplus)	(3,377)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(14.96%)
B. Actual employer payroll	23,750
C. Payment to transition liability/(surplus)	(3,553)
4. Supplemental payment to transition liability	0
5. Interest	(5,544)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($74,848)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(74,848)	(76,234)
2. Combined valuation payroll	49,081	45,493
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(13.12%)**	**(13.81%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	49,081	45,493
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Illinois Valley Fire District/2564
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

As of January 1, 2012, you joined the State & Local Government Rate Pool (SLGRP). This report shows the calculations related to joining the SLGRP and reflects that transition in the results presented.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- The development of your transition liability or surplus upon joining the SLGRP,
- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
Illinois Valley Fire District/2564

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Illinois Valley Fire District/2564

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL
Illinois Valley Fire District -- #2564

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary 1

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Joining the SLGRP 10

Weighted Average Tier 1/Tier 2 Normal Cost 13

Transition Liability Information 14

Side Account Information 15

Brief Summary of Methods and Assumptions 17

Brief Summary of Changes in Plan Provisions 19

Glossary 20

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Executive Summary

Milliman has prepared this report for Illinois Valley Fire District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Illinois Valley Fire District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Illinois Valley Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.12%	7.92%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(15.23%)	(15.23%)	(15.23%)	(15.23%)	(15.23%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**10.40%**	**3.20%**	**10.40%**	**1.55%**	**4.28%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**10.99%**	**3.79%**	**10.99%**	**2.04%**	**4.77%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting firm and cannot provide accounting advice. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2013 to June 30, 2015	10.40%	3.20%	10.40%	1.55%	4.28%

If a side account is established after December 31, 2011, the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

For the period immediately prior to joining the SLGRP, please refer to your December 31, 2010, valuation report.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Illinois Valley Fire District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL [1]	$421,813	($179,609)
Allocated pre-SLGRP pooled liability/(surplus)	0	N/A
Transition liability/(surplus)	(508,665)	N/A
Allocated pooled OPSRP UAL	4,515	2,867
Side account	0	0
Net unfunded pension actuarial accrued liability	(82,337)	(176,742)
Combined valuation payroll	264,592	230,890
Net pension UAL as a percentage of payroll	(31%)	(77%)
Pre-SLGRP pooled rate	0.00%	N/A
Transition rate	(15.23%)	N/A
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$6,854	$8,307
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

[1] *The UAL shown as of December 31, 2010 is the UAL as an independent employer, not as a member of the SLGRP.*

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Executive Summary

Principal Valuation Results (continued)

SLGRP

(in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate [1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Joining the SLGRP

As of December 31, 2011, Illinois Valley Fire District was an independent employer, but joined the SLGRP effective January 1, 2012. Since the contribution rate effective July 1, 2013 is based on the SLGRP's contribution rate adjusted for any transition liability or surplus, this report shows the valuation results for the SLGRP. However, this section of the report summarizes your experience as an independent employer through December 31, 2011 and the calculation of the transition liability or surplus effective January 1, 2012 when you joined the SLGRP.

Funded Status and UAL as an Independent Employer

Tier 1/Tier 2 Pension	December 31, 2011	December 31, 2010
1. Actuarial accrued liability	$1,105,384	$1,080,130
2. Actuarial value of assets	1,192,236	1,259,739
3. Unfunded accrued liability *(1. – 2.)*	(86,852)	(179,609)
4. Funded percentage *(2. ÷ 1.)*	108%	117%
5. Combined valuation payroll	$264,592	$230,890
6. Unfunded accrued liability as % of combined valuation payroll *(3. ÷ 5.)*	(33%)	(78%)

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Joining the SLGRP

Actuarial Gain or Loss since Prior Valuation

The system-wide report contains a detailed analysis of gains and losses since the last valuation. The table below shows the Tier 1/Tier 2 Pension gain or loss for the individual employer separately for assets and liabilities.

1. Expected actuarial accrued liability	
a. Actuarial accrued liability at December 31, 2010	$1,080,130
b. Normal cost at December 31, 2010	$8,435
c. Benefit payments during 2011	($75,155)
d. Interest at 8.0% to December 31, 2011	$84,079
e. Expected actuarial accrued liability before changes *(a. + b. + c. + d.)*	$1,097,489
f. Change in actuarial accrued liability due to assumption changes	$0
g. Expected actuarial accrued liability at December 31, 2011 *(e. + f.)*	$1,097,489
2. Actuarial accrued liability at December 31, 2011	$1,105,384
3. Gain/(loss) on actuarial accrued liability *(1.g. – 2.)*	($7,895)
4. Expected actuarial value of assets	
a. Actuarial value of assets at December 31, 2010	$1,259,739
b. Contributions for 2011 [1]	$16,150
c. Benefit payments and expenses during 2011	($75,651)
d. Interest at 8.0% to December 31, 2011	$98,399
e. Expected actuarial value of assets at December 31, 2011 *(a. + b. + c. + d.)*	$1,298,637
5. Actuarial value of assets at December 31, 2011	$1,192,236
6. Gain/(loss) on actuarial value of assets *(5. - 4.e.)*	($106,401)
7. Total actuarial gain/(loss) *(3. + 6.)*	($114,296)

[1] *Includes rate relief from side accounts and excludes contributions for Multnomah Fire District.*

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Joining the SLGRP

Calculation of Transition Liability

An employer's UAL at the date it joins the SLGRP is allocated between the SLGRP and an employer-specific transition liability or surplus. This allocation ensures that the SLGRP UAL rate developed at the merger date is not affected positively or negatively by merging employers. The transition liability or surplus can be thought of as a loan to or from the SLGRP so that each employer in the SLGRP is on a comparable basis.

The table below shows the calculation of the transition liability or surplus as of the January 1, 2012 SLGRP merger date.

Tier 1/Tier 2 Pension	**SLGRP Prior to New Employers**	**Illinois Valley Fire District**
1. UAL prior to joining the SLGRP	$7,867,077,745	($86,852)
2. Combined valuation payroll	$4,934,961,810	$264,592
3. UAL as a percentage of payroll *(1. ÷ 2.)*	159.42%	
4. UAL allocated to SLGRP *(2. × 3.)*		$421,813
5. UAL allocated to transition liability *(1. - 4.)*		($508,665)
6. UAL after joining SLGRP *(4. + 5.)*		**($86,852)**

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate at December 31, 2011

	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$0	$0
Tier 2 General Service	10.42%	0	0
Total General Service		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0
Tier 2 Police & Fire	15.12%	62,671	9,476
Total Police & Fire		**62,671**	**9,476**
Total		**$62,671**	**$9,476**
Employer normal cost rate			
General Service			**7.92%**
Police & Fire			**15.12%**
Aggregate (Default)			**15.12%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Development of Transition Liability or Surplus rate

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below develops the contribution rate for the transition liability or surplus.

	December 31, 2011
1. Transition liability/(surplus)	(508,665)
2. Combined valuation payroll	264,592
3. Regular amortization factor	12.622
4. Transition liability/(surplus) rate *(1. ÷ 2. ÷ 3.)*	**(15.23%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	264,592	230,890
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

Imbler Rural Fire Protection District/2651
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Imbler Rural Fire Protection District/2651

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012

Imbler Rural Fire Protection District/2651

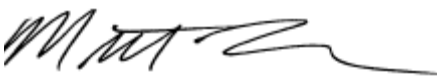
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Imbler Rural Fire Protection District -- #2651

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Imbler Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Imbler Rural Fire Protection District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Imbler Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.04%	7.92%	15.04%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	2.34%	2.34%	2.34%	2.34%	2.34%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**26.13%**	**19.01%**	**26.13%**	**17.36%**	**20.09%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**26.72%**	**19.60%**	**26.72%**	**17.85%**	**20.58%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	21.30%	19.99%	27.77%	18.54%	21.25%
July 1, 2013 to June 30, 2015	26.13%	19.01%	26.13%	17.36%	20.09%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Imbler Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$29,678	$37,903
Allocated pre-SLGRP pooled liability/(surplus)	(3,799)	(6,049)
Transition liability/(surplus)	5,061	5,908
Allocated pooled OPSRP UAL	318	365
Side account	0	0
Net unfunded pension actuarial accrued liability	31,258	38,127
Combined valuation payroll	18,617	29,427
Net pension UAL as a percentage of payroll	168%	130%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	2.34%	1.65%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$482	$1,059
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	1,769	266	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**1,769**	**266**		**0**	**0**
Total		**$1,769**	**$266**		**$0**	**$0**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.04%**			**14.88%**
Aggregate (Default)			**15.04%**			**8.96%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$5,908
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	1.35%
B. Actual employer payroll	14,526
C. Payment to transition liability/(surplus)	196
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	7.93%
B. Actual employer payroll	12,926
C. Payment to transition liability/(surplus)	1,026
4. Supplemental payment to transition liability	0
5. Interest	375
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$5,061**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	5,061	5,908
2. Combined valuation payroll	18,617	29,427
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**2.34%**	**1.65%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	18,617	29,427
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Jackson County Fire District #3/2715
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Jackson County Fire District #3/2715

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Jackson County Fire District #3/2715

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Jackson County Fire District #3 -- #2715

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Jackson County Fire District #3 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Jackson County Fire District #3.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Jackson County Fire District #3

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.82%	10.42%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(6.94%)	(6.94%)	(6.94%)	(6.94%)	(6.94%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.63%**	**12.23%**	**16.91%**	**8.08%**	**10.81%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.22%**	**12.82%**	**17.50%**	**8.57%**	**11.30%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.78%	7.66%	13.12%	3.90%	6.61%
July 1, 2013 to June 30, 2015	16.63%	12.23%	16.91%	8.08%	10.81%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Jackson County Fire District #3

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$8,160,152	$6,997,097
Allocated pre-SLGRP pooled liability/(surplus)	(1,044,512)	(1,116,761)
Transition liability/(surplus)	(4,129,384)	(4,241,078)
Allocated pooled OPSRP UAL	87,339	67,450
Side account	0	0
Net unfunded pension actuarial accrued liability	3,073,595	1,706,708
Combined valuation payroll	5,118,805	5,432,386
Net pension UAL as a percentage of payroll	60%	31%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(6.94%)	(6.43%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$132,605	$195,449
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	219,410	22,863	10.34%	208,507	21,560
Total General Service		**219,410**	**22,863**		**208,507**	**21,560**
Tier 1 Police & Fire	15.06%	1,422,893	214,288	14.74%	2,141,410	315,644
Tier 2 Police & Fire	15.12%	2,039,487	308,370	15.03%	1,937,151	291,154
Total Police & Fire		**3,462,380**	**522,658**		**4,078,561**	**606,798**
Total		**$3,681,790**	**$545,521**		**$4,287,068**	**$628,358**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.10%**			**14.88%**
Aggregate (Default)			**14.82%**			**14.66%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($4,241,078)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(7.69%)
B. Actual employer payroll	2,764,331
C. Payment to transition liability/(surplus)	(212,577)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(6.71%)
B. Actual employer payroll	3,055,101
C. Payment to transition liability/(surplus)	(204,997)
4. Supplemental payment to transition liability	0
5. Interest	(305,880)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($4,129,384)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(4,129,384)	(4,241,078)
2. Combined valuation payroll	5,118,805	5,432,386
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(6.94%)**	**(6.43%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	5,118,805	5,432,386
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Jackson County Fire District #4/2620
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Jackson County Fire District #4/2620

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Jackson County Fire District #4/2620

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Jackson County Fire District #4 -- #2620

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Jackson County Fire District #4 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Jackson County Fire District #4.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Jackson County Fire District #4

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.06%	7.92%	15.06%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**25.57%**	**18.43%**	**25.57%**	**16.78%**	**19.51%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**26.16%**	**19.02%**	**26.16%**	**17.27%**	**20.00%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	21.55%	13.35%	21.55%	11.90%	14.61%
July 1, 2013 to June 30, 2015	25.57%	18.43%	25.57%	16.78%	19.51%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Jackson County Fire District #4

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$413,942	$432,202
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	0	(12,130)
Allocated pooled OPSRP UAL	4,430	4,166
Side account	0	0
Net unfunded pension actuarial accrued liability	418,372	424,238
Combined valuation payroll	259,663	335,552
Net pension UAL as a percentage of payroll	161%	126%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	0.00%	(0.30%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$6,727	$12,073
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	175,447	26,422	14.74%	249,196	36,731
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**175,447**	**26,422**		**249,196**	**36,731**
Total		**$175,447**	**$26,422**		**$249,196**	**$36,731**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.06%**			**14.74%**
Aggregate (Default)			**15.06%**			**14.74%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($12,130)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(8.69%)
B. Actual employer payroll	163,286
C. Payment to transition liability/(surplus)	(14,190)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.41%)
B. Actual employer payroll	162,779
C. Payment to transition liability/(surplus)	(667)
4. Supplemental payment to transition liability	0
5. Interest	(2,727)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	(12,130)
2. Combined valuation payroll	259,663	335,552
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**(0.30%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	259,663	335,552
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

Jackson County Vector Control District/2541
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Jackson County Vector Control District/2541

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Jackson County Vector Control District/2541

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Jackson County Vector Control District -- #2541

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Jackson County Vector Control District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Jackson County Vector Control District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Jackson County Vector Control District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.78%	5.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(2.82%)	(2.82%)	(2.82%)	(2.82%)	(2.82%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**13.47%**	**13.47%**	**22.78%**	**13.96%**	**16.69%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.06%**	**14.06%**	**23.37%**	**14.45%**	**17.18%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	8.52%	8.52%	18.08%	8.85%	11.56%
July 1, 2013 to June 30, 2015	13.47%	13.47%	22.78%	13.96%	16.69%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Jackson County Vector Control District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$352,164	$279,559
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(72,358)	(79,212)
Allocated pooled OPSRP UAL	3,769	2,695
Side account	0	0
Net unfunded pension actuarial accrued liability	283,575	203,042
Combined valuation payroll	220,910	217,043
Net pension UAL as a percentage of payroll	128%	94%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.82%)	(3.01%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$5,723	$7,809
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$220,910	$12,769	5.65%	$217,043	$12,263
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**220,910**	**12,769**		**217,043**	**12,263**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$220,910**	**$12,769**		**$217,043**	**$12,263**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.78%**			**5.65%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($79,212)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(4.20%)
B. Actual employer payroll	132,626
C. Payment to transition liability/(surplus)	(5,570)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(3.46%)
B. Actual employer payroll	192,012
C. Payment to transition liability/(surplus)	(6,644)
4. Supplemental payment to transition liability	0
5. Interest	(5,360)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($72,358)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(72,358)	(79,212)
2. Combined valuation payroll	220,910	217,043
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.82%)**	**(3.01%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	220,910	217,043
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Jackson County/2005
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Jackson County/2005

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Jackson County/2005

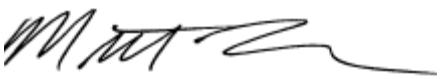
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Jackson County -- #2005

SEPTEMBER 2012

Secondary Employers

2133 City Of Medford Library

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Jackson County to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Jackson County.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Jackson County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.98%	8.00%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(1.33%)	(1.33%)	(1.33%)	(1.33%)	(1.33%)
Net pension contribution rate	**17.40%**	**15.42%**	**22.51%**	**13.69%**	**16.42%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.99%**	**16.01%**	**23.10%**	**14.18%**	**16.91%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.59%	10.74%	18.41%	9.26%	11.97%
July 1, 2013 to June 30, 2015	17.40%	15.42%	22.51%	13.69%	16.42%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Jackson County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$73,891,882	$59,601,266
Allocated pre-SLGRP pooled liability/(surplus)	(9,458,271)	(9,512,570)
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	790,873	574,537
Side account	7,159,880	7,683,342
Net unfunded pension actuarial accrued liability	58,064,604	42,979,891
Combined valuation payroll	46,351,851	46,273,057
Net pension UAL as a percentage of payroll	125%	93%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.00%	0.00%
Side account rate relief	(1.33%)	(1.37%)
Allocated pooled RHIA UAL	$1,200,768	$1,664,831
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$10,945,681	$632,660	5.65%	$12,462,387	$704,125
Tier 2 General Service	10.42%	10,005,455	1,042,568	10.34%	10,555,094	1,091,397
Total General Service		**20,951,136**	**1,675,228**		**23,017,481**	**1,795,522**
Tier 1 Police & Fire	15.06%	3,544,896	533,861	14.74%	3,360,489	495,336
Tier 2 Police & Fire	15.12%	4,583,200	692,980	15.03%	4,631,542	696,121
Total Police & Fire		**8,128,096**	**1,226,841**		**7,992,031**	**1,191,457**
Total		**$29,079,232**	**$2,902,069**		**$31,009,512**	**$2,986,979**
Employer normal cost rate						
General Service			**8.00%**			**7.80%**
Police & Fire			**15.09%**			**14.91%**
Aggregate (Default)			**9.98%**			**9.63%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	46,351,851	46,273,057
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$7,683,342**	**$7,683,342**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(727,152)	(727,152)
5. Side account earnings during 2011		204,690	204,690
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$7,159,880**	**$7,159,880**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$7,159,880	$7,683,342
Side Account 2	0	0
Side Account 3	0	0
Total	**$7,159,880**	**$7,683,342**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$7,159,880	$7,683,342
2. Combined valuation payroll	46,351,851	46,273,057
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(1.33%)	(1.37%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Jefferson County EMS/2712
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Jefferson County EMS/2712

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012

Jefferson County EMS/2712

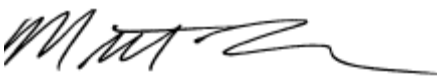
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Jefferson County EMS -- #2712

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Jefferson County EMS to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Jefferson County EMS.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Jefferson County EMS

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.89%	8.89%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.45%	0.45%	0.45%	0.45%	0.45%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**18.09%**	**18.09%**	**24.29%**	**15.47%**	**18.20%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.68%**	**18.68%**	**24.88%**	**15.96%**	**18.69%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	13.47%	13.47%	20.32%	11.09%	13.80%
July 1, 2013 to June 30, 2015	18.09%	18.09%	24.29%	15.47%	18.20%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Jefferson County EMS

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$557,035	$441,374
Allocated pre-SLGRP pooled liability/(surplus)	(71,301)	(70,445)
Transition liability/(surplus)	18,237	18,455
Allocated pooled OPSRP UAL	5,962	4,255
Side account	0	0
Net unfunded pension actuarial accrued liability	509,933	393,639
Combined valuation payroll	349,424	342,673
Net pension UAL as a percentage of payroll	146%	115%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.45%	0.44%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$9,052	$12,329
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$78,640	$4,545	5.65%	$82,354	$4,653
Tier 2 General Service	10.42%	160,089	16,681	10.34%	148,959	15,402
Total General Service		**238,729**	**21,226**		**231,313**	**20,055**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$238,729**	**$21,226**		**$231,313**	**$20,055**
Employer normal cost rate						
General Service			**8.89%**			**8.67%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.89%**			**8.67%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$18,455
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.45%
B. Actual employer payroll	168,433
C. Payment to transition liability/(surplus)	758
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.48%
B. Actual employer payroll	168,817
C. Payment to transition liability/(surplus)	811
4. Supplemental payment to transition liability	0
5. Interest	1,351
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$18,237**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	18,237	18,455
2. Combined valuation payroll	349,424	342,673
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.45%**	**0.44%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	349,424	342,673
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Jefferson County Library District/2846
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Jefferson County Library District/2846

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Jefferson County Library District/2846

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Jefferson County Library District -- #2846

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Jefferson County Library District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Jefferson County Library District.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Jefferson County Library District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.11%	10.11%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(0.51%)	(0.51%)	(0.51%)	(0.51%)	(0.51%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**20.11%**	**20.11%**	**25.09%**	**16.27%**	**19.00%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.70%**	**20.70%**	**25.68%**	**16.76%**	**19.49%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.85%	14.85%	20.77%	11.54%	14.25%
July 1, 2013 to June 30, 2015	20.11%	20.11%	25.09%	16.27%	19.00%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Jefferson County Library District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$357,162	$303,931
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(13,260)	(18,753)
Allocated pooled OPSRP UAL	3,823	2,930
Side account	0	0
Net unfunded pension actuarial accrued liability	347,725	288,108
Combined valuation payroll	224,045	235,965
Net pension UAL as a percentage of payroll	155%	122%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(0.51%)	(0.65%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$5,804	$8,490
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$9,869	$570	5.65%	$9,490	$536
Tier 2 General Service	10.42%	136,151	14,187	10.34%	89,140	9,217
Total General Service		**146,020**	**14,757**		**98,630**	**9,753**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$146,020**	**$14,757**		**$98,630**	**$9,753**
Employer normal cost rate						
General Service			**10.11%**			**9.89%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.11%**			**9.89%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($18,753)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(4.87%)
B. Actual employer payroll	117,162
C. Payment to transition liability/(surplus)	(5,706)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.77%)
B. Actual employer payroll	99,898
C. Payment to transition liability/(surplus)	(769)
4. Supplemental payment to transition liability	0
5. Interest	(982)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($13,260)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(13,260)	(18,753)
2. Combined valuation payroll	224,045	235,965
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.51%)**	**(0.65%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	224,045	235,965
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Jefferson Rural Fire Protection District/2561
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Jefferson Rural Fire Protection District/2561

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Jefferson Rural Fire Protection District/2561

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Jefferson Rural Fire Protection District -- #2561

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Jefferson Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Jefferson Rural Fire Protection District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Jefferson Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	13.42%	9.52%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(12.64%)	(12.64%)	(12.64%)	(12.64%)	(12.64%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**11.29%**	**7.39%**	**12.96%**	**4.14%**	**6.87%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**11.88%**	**7.98%**	**13.55%**	**4.63%**	**7.36%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.71%	5.69%	12.36%	3.29%	6.00%
July 1, 2013 to June 30, 2015	11.29%	7.39%	12.96%	4.14%	6.87%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Jefferson Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$469,419	$318,455
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(432,661)	(435,302)
Allocated pooled OPSRP UAL	5,024	3,070
Side account	0	0
Net unfunded pension actuarial accrued liability	41,782	(113,777)
Combined valuation payroll	294,463	247,241
Net pension UAL as a percentage of payroll	14%	(46%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(12.64%)	(14.51%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$7,628	$8,895
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$12,475	$721	5.65%	$14,752	$833
Tier 2 General Service	10.42%	52,079	5,427	10.34%	53,976	5,581
Total General Service		**64,554**	**6,148**		**68,728**	**6,414**
Tier 1 Police & Fire	15.06%	79,234	11,933	14.74%	70,252	10,355
Tier 2 Police & Fire	15.12%	71,080	10,747	15.03%	57,291	8,611
Total Police & Fire		**150,314**	**22,680**		**127,543**	**18,966**
Total		**$214,868**	**$28,828**		**$196,271**	**$25,380**
Employer normal cost rate						
General Service			**9.52%**			**9.33%**
Police & Fire			**15.09%**			**14.87%**
Aggregate (Default)			**13.42%**			**12.93%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($435,302)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(12.99%)
B. Actual employer payroll	147,574
C. Payment to transition liability/(surplus)	(18,441)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(9.02%)
B. Actual employer payroll	180,137
C. Payment to transition liability/(surplus)	(16,249)
4. Supplemental payment to transition liability	0
5. Interest	(32,049)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($432,661)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(432,661)	(435,302)
2. Combined valuation payroll	294,463	247,241
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(12.64%)**	**(14.51%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	294,463	247,241
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Josephine County/2042
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Josephine County/2042

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
Josephine County/2042

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Josephine County -- #2042

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Josephine County to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Josephine County.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Josephine County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.08%	8.52%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.15%	0.15%	0.15%	0.15%	0.15%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**18.98%**	**17.42%**	**24.00%**	**15.17%**	**17.90%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.57%**	**18.01%**	**24.59%**	**15.66%**	**18.39%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.76%	12.93%	19.86%	10.76%	13.47%
July 1, 2013 to June 30, 2015	18.98%	17.42%	24.00%	15.17%	17.90%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Josephine County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$30,732,548	$25,107,524
Allocated pre-SLGRP pooled liability/(surplus)	(3,933,812)	(4,007,248)
Transition liability/(surplus)	330,916	336,354
Allocated pooled OPSRP UAL	328,934	242,029
Side account	0	0
Net unfunded pension actuarial accrued liability	27,458,586	21,678,659
Combined valuation payroll	19,278,308	19,492,906
Net pension UAL as a percentage of payroll	142%	111%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.15%	0.14%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$499,414	$701,324
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$3,669,255	$212,083	5.65%	$3,483,173	$196,799
Tier 2 General Service	10.42%	5,313,200	553,635	10.34%	5,529,409	571,741
Total General Service		**8,982,455**	**765,718**		**9,012,582**	**768,540**
Tier 1 Police & Fire	15.06%	761,561	114,691	14.74%	854,640	125,974
Tier 2 Police & Fire	15.12%	2,027,927	306,623	15.03%	2,317,699	348,350
Total Police & Fire		**2,789,488**	**421,314**		**3,172,339**	**474,324**
Total		**$11,771,943**	**$1,187,032**		**$12,184,921**	**$1,242,864**
Employer normal cost rate						
General Service			**8.52%**			**8.53%**
Police & Fire			**15.10%**			**14.95%**
Aggregate (Default)			**10.08%**			**10.20%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$336,354
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.15%
B. Actual employer payroll	10,021,721
C. Payment to transition liability/(surplus)	15,033
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.15%
B. Actual employer payroll	9,944,800
C. Payment to transition liability/(surplus)	14,917
4. Supplemental payment to transition liability	0
5. Interest	24,512
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$330,916**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	330,916	336,354
2. Combined valuation payroll	19,278,308	19,492,906
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.15%**	**0.14%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	19,278,308	19,492,906
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Junction City Fire Department/2763
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Junction City Fire Department/2763

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012

Junction City Fire Department/2763

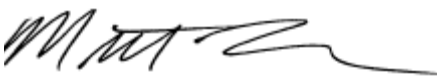
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Junction City Fire Department -- #2763

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Junction City Fire Department to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Junction City Fire Department.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Junction City Fire Department

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.29%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(3.67%)	(3.67%)	(3.67%)	(3.67%)	(3.67%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**21.13%**	**17.26%**	**21.93%**	**13.11%**	**15.84%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**21.72%**	**17.85%**	**22.52%**	**13.60%**	**16.33%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	17.17%	12.50%	18.03%	8.74%	11.45%
July 1, 2013 to June 30, 2015	21.13%	17.26%	21.93%	13.11%	15.84%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Junction City Fire Department

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$371,217	$298,591
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(99,449)	(99,537)
Allocated pooled OPSRP UAL	3,973	2,878
Side account	0	0
Net unfunded pension actuarial accrued liability	275,741	201,932
Combined valuation payroll	232,862	231,819
Net pension UAL as a percentage of payroll	118%	87%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.67%)	(3.54%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$6,032	$8,340
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	24,354	2,538	10.34%	21,929	2,267
Total General Service		**24,354**	**2,538**		**21,929**	**2,267**
Tier 1 Police & Fire	15.06%	66,617	10,033	14.74%	64,676	9,533
Tier 2 Police & Fire	15.12%	51,576	7,798	15.03%	50,149	7,537
Total Police & Fire		**118,193**	**17,831**		**114,825**	**17,070**
Total		**$142,547**	**$20,369**		**$136,754**	**$19,337**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.87%**
Aggregate (Default)			**14.29%**			**14.14%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($99,537)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.64%)
B. Actual employer payroll	100,205
C. Payment to transition liability/(surplus)	(3,647)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(3.57%)
B. Actual employer payroll	106,670
C. Payment to transition liability/(surplus)	(3,808)
4. Supplemental payment to transition liability	0
5. Interest	(7,367)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($99,449)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(99,449)	(99,537)
2. Combined valuation payroll	232,862	231,819
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.67%)**	**(3.54%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	232,862	231,819
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Keizer Fire Department/2559
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Keizer Fire Department/2559

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Keizer Fire Department/2559

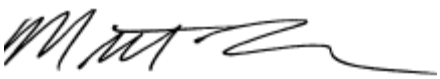
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Keizer Fire Department -- #2559

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Keizer Fire Department to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Keizer Fire Department.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Keizer Fire Department

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.72%	10.42%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(6.01%)	(6.01%)	(6.01%)	(6.01%)	(6.01%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.22%**	**14.92%**	**19.60%**	**10.77%**	**13.50%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.81%**	**15.51%**	**20.19%**	**11.26%**	**13.99%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.44%	9.43%	14.80%	5.67%	8.38%
July 1, 2013 to June 30, 2015	19.22%	14.92%	19.60%	10.77%	13.50%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Keizer Fire Department

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$3,017,034	$2,546,377
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(1,321,932)	(1,348,311)
Allocated pooled OPSRP UAL	32,292	24,546
Side account	0	0
Net unfunded pension actuarial accrued liability	1,727,394	1,222,612
Combined valuation payroll	1,892,564	1,976,949
Net pension UAL as a percentage of payroll	91%	62%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(6.01%)	(5.62%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$49,028	$71,127
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	82,142	8,559	10.34%	79,356	8,205
Total General Service		**82,142**	**8,559**		**79,356**	**8,205**
Tier 1 Police & Fire	15.06%	295,798	44,547	14.74%	384,911	56,736
Tier 2 Police & Fire	15.12%	630,606	95,348	15.03%	625,221	93,971
Total Police & Fire		**926,404**	**139,895**		**1,010,132**	**150,707**
Total		**$1,008,546**	**$148,454**		**$1,089,488**	**$158,912**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.10%**			**14.92%**
Aggregate (Default)			**14.72%**			**14.59%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,348,311)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(6.28%)
B. Actual employer payroll	956,828
C. Payment to transition liability/(surplus)	(60,089)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(6.64%)
B. Actual employer payroll	967,039
C. Payment to transition liability/(surplus)	(64,211)
4. Supplemental payment to transition liability	0
5. Interest	(97,921)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,321,932)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,321,932)	(1,348,311)
2. Combined valuation payroll	1,892,564	1,976,949
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(6.01%)**	**(5.62%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,892,564	1,976,949
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Klamath Community College/2906
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Klamath Community College/2906

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Klamath Community College/2906

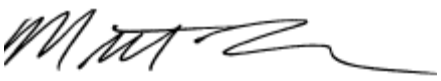
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Klamath Community College -- #2906

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Klamath Community College to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Klamath Community College.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Klamath Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.07%	8.07%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	1.86%	1.86%	1.86%	1.86%	1.86%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(0.86%)	(0.86%)	(0.86%)	(0.86%)	(0.86%)
Net pension contribution rate	**19.58%**	**19.58%**	**26.60%**	**17.78%**	**20.51%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.17%**	**20.17%**	**27.19%**	**18.27%**	**21.00%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.73%	14.73%	22.39%	13.16%	15.87%
July 1, 2013 to June 30, 2015	19.58%	19.58%	26.60%	17.78%	20.51%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Klamath Community College

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$6,005,847	$4,616,214
Allocated pre-SLGRP pooled liability/(surplus)	816,249	785,992
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	64,281	44,499
Side account	374,752	396,149
Net unfunded pension actuarial accrued liability	6,511,625	5,050,556
Combined valuation payroll	3,767,425	3,583,923
Net pension UAL as a percentage of payroll	173%	141%
Pre-SLGRP pooled rate	1.86%	1.81%
Transition rate	0.00%	0.00%
Side account rate relief	(0.86%)	(0.91%)
Allocated pooled RHIA UAL	$97,597	$128,944
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$126,008,735	$7,283,305	5.65%	$135,189,476	$7,638,205
Tier 2 General Service	10.42%	123,113,364	12,828,413	10.34%	125,634,641	12,990,622
Total General Service		**249,122,099**	**20,111,718**		**260,824,117**	**20,628,827**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$249,122,099**	**$20,111,718**		**$260,824,117**	**$20,628,827**
Employer normal cost rate						
General Service			**8.07%**			**7.91%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.07%**			**7.91%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	403,407,903	413,952,327
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$396,149**	**$396,149**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(30,929)	(30,929)
5. Side account earnings during 2011		10,532	10,532
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$374,752**	**$374,752**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$374,752	$396,149
Side Account 2	0	0
Side Account 3	0	0
Total	**$374,752**	**$396,149**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$374,752	$396,149
2. Combined valuation payroll	3,767,425	3,583,923
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(0.86%)	(0.91%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Klamath County Emergency Communications District/2710
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Klamath County Emergency Communications District/2710

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Klamath County Emergency Communications District/2710

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Klamath County Emergency Communications District -- #2710

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Klamath County Emergency Communications District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Klamath County Emergency Communications District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Klamath County Emergency Communications District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.48%	7.48%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	1.48%	1.48%	1.48%	1.48%	1.48%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.71%**	**17.71%**	**25.32%**	**16.50%**	**19.23%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.30%**	**18.30%**	**25.91%**	**16.99%**	**19.72%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	13.56%	13.56%	21.34%	12.11%	14.82%
July 1, 2013 to June 30, 2015	17.71%	17.71%	25.32%	16.50%	19.23%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Klamath County Emergency Communications District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,087,557	$909,566
Allocated pre-SLGRP pooled liability/(surplus)	(139,209)	(145,170)
Transition liability/(surplus)	117,001	119,599
Allocated pooled OPSRP UAL	11,640	8,768
Side account	0	0
Net unfunded pension actuarial accrued liability	1,076,989	892,763
Combined valuation payroll	682,217	706,166
Net pension UAL as a percentage of payroll	158%	126%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	1.48%	1.40%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$17,673	$25,407
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$199,859	$11,552	5.65%	$236,413	$13,357
Tier 2 General Service	10.42%	115,087	11,992	10.34%	105,254	10,883
Total General Service		**314,946**	**23,544**		**341,667**	**24,240**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$314,946**	**$23,544**		**$341,667**	**$24,240**
Employer normal cost rate						
General Service			**7.48%**			**7.09%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.48%**			**7.09%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$119,599
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	1.54%
B. Actual employer payroll	382,198
C. Payment to transition liability/(surplus)	5,886
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	1.50%
B. Actual employer payroll	358,600
C. Payment to transition liability/(surplus)	5,379
4. Supplemental payment to transition liability	0
5. Interest	8,667
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$117,001**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	117,001	119,599
2. Combined valuation payroll	682,217	706,166
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**1.48%**	**1.40%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	682,217	706,166
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Klamath County/2007
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Klamath County/2007

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012

Klamath County/2007

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Klamath County -- #2007

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Klamath County to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Klamath County.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Klamath County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.10%	7.92%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(17.41%)	(17.41%)	(17.41%)	(17.41%)	(17.41%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**8.20%**	**1.02%**	**8.20%**	**0.00%**	**2.10%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**8.79%**	**1.61%**	**8.79%**	**0.49%**	**2.59%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.39%	2.71%	10.39%	1.26%	3.97%
July 1, 2013 to June 30, 2015	8.20%	1.02%	8.20%	0.00%	2.10%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Klamath County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$4,710,313	$4,665,334
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(5,979,763)	(5,870,602)
Allocated pooled OPSRP UAL	50,415	44,972
Side account	0	0
Net unfunded pension actuarial accrued liability	(1,219,035)	(1,160,296)
Combined valuation payroll	2,954,746	3,622,058
Net pension UAL as a percentage of payroll	(41%)	(32%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(17.41%)	(13.36%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$76,544	$130,316
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	922,472	138,924	14.74%	1,141,813	168,303
Tier 2 Police & Fire	15.12%	1,541,770	233,116	15.03%	1,856,191	278,986
Total Police & Fire		**2,464,242**	**372,040**		**2,998,004**	**447,289**
Total		**$2,464,242**	**$372,040**		**$2,998,004**	**$447,289**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.10%**			**14.92%**
Aggregate (Default)			**15.10%**			**14.92%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($5,870,602)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(11.66%)
B. Actual employer payroll	1,251,410
C. Payment to transition liability/(surplus)	(145,914)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(11.05%)
B. Actual employer payroll	1,700,181
C. Payment to transition liability/(surplus)	(187,870)
4. Supplemental payment to transition liability	0
5. Interest	(442,945)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($5,979,763)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(5,979,763)	(5,870,602)
2. Combined valuation payroll	2,954,746	3,622,058
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(17.41%)**	**(13.36%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	2,954,746	3,622,058
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Klamath Housing Authority/2721
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
Klamath Housing Authority/2721

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Klamath Housing Authority/2721

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Klamath Housing Authority -- #2721

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Klamath Housing Authority to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Klamath Housing Authority.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Klamath Housing Authority

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.92%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(3.44%)	(3.44%)	(3.44%)	(3.44%)	(3.44%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**14.99%**	**14.99%**	**22.16%**	**13.34%**	**16.07%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.58%**	**15.58%**	**22.75%**	**13.83%**	**16.56%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.43%	10.43%	18.10%	8.87%	11.58%
July 1, 2013 to June 30, 2015	14.99%	14.99%	22.16%	13.34%	16.07%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Klamath Housing Authority

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$875,693	$717,453
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(219,518)	(221,064)
Allocated pooled OPSRP UAL	9,373	6,916
Side account	0	0
Net unfunded pension actuarial accrued liability	665,548	503,305
Combined valuation payroll	549,316	557,014
Net pension UAL as a percentage of payroll	121%	90%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.44%)	(3.27%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$14,230	$20,040
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$96,561	$5,581	5.65%	$95,166	$5,377
Tier 2 General Service	10.42%	82,953	8,644	10.34%	81,796	8,458
Total General Service		**179,514**	**14,225**		**176,962**	**13,835**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$179,514**	**$14,225**		**$176,962**	**$13,835**
Employer normal cost rate						
General Service			**7.92%**			**7.82%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.92%**			**7.82%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($221,064)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.16%)
B. Actual employer payroll	273,157
C. Payment to transition liability/(surplus)	(8,632)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(3.44%)
B. Actual employer payroll	266,728
C. Payment to transition liability/(surplus)	(9,175)
4. Supplemental payment to transition liability	0
5. Interest	(16,261)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($219,518)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(219,518)	(221,064)
2. Combined valuation payroll	549,316	557,014
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.44%)**	**(3.27%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	549,316	557,014
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Klamath Vector Control/2624
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Klamath Vector Control/2624

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Klamath Vector Control/2624

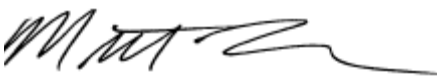
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Klamath Vector Control -- #2624

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Klamath Vector Control to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Klamath Vector Control.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Klamath Vector Control

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.78%	5.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	1.99%	1.99%	1.99%	1.99%	1.99%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.52%**	**16.52%**	**25.83%**	**17.01%**	**19.74%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.11%**	**17.11%**	**26.42%**	**17.50%**	**20.23%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	18.83%	17.52%	25.30%	16.07%	18.78%
July 1, 2013 to June 30, 2015	16.52%	16.52%	25.83%	17.01%	19.74%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Klamath Vector Control

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$217,375	$164,058
Allocated pre-SLGRP pooled liability/(surplus)	(27,824)	(26,184)
Transition liability/(surplus)	31,545	37,848
Allocated pooled OPSRP UAL	2,327	1,581
Side account	0	0
Net unfunded pension actuarial accrued liability	223,423	177,303
Combined valuation payroll	136,358	127,371
Net pension UAL as a percentage of payroll	164%	139%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	1.99%	2.45%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$3,532	$4,583
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$90,757	$5,246	5.65%	$87,698	$4,955
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**90,757**	**5,246**		**87,698**	**4,955**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$90,757**	**$5,246**		**$87,698**	**$4,955**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.78%**			**5.65%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$37,848
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	5.46%
B. Actual employer payroll	64,092
C. Payment to transition liability/(surplus)	3,499
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	2.92%
B. Actual employer payroll	176,039
C. Payment to transition liability/(surplus)	5,141
4. Supplemental payment to transition liability	0
5. Interest	2,337
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$31,545**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	31,545	37,848
2. Combined valuation payroll	136,358	127,371
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**1.99%**	**2.45%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	136,358	127,371
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

La Pine Rural Fire Protection District/2579
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
La Pine Rural Fire Protection District/2579

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

La Pine Rural Fire Protection District/2579

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

La Pine Rural Fire Protection District -- #2579

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for La Pine Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to La Pine Rural Fire Protection District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for La Pine Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.81%	10.42%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(5.19%)	(5.19%)	(5.19%)	(5.19%)	(5.19%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**20.13%**	**15.74%**	**20.42%**	**11.59%**	**14.32%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.72%**	**16.33%**	**21.01%**	**12.08%**	**14.81%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.89%	8.05%	13.28%	4.29%	7.00%
July 1, 2013 to June 30, 2015	20.13%	15.74%	20.42%	11.59%	14.32%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

La Pine Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$2,945,098	$2,081,344
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(1,114,481)	(1,169,348)
Allocated pooled OPSRP UAL	31,522	20,064
Side account	0	0
Net unfunded pension actuarial accrued liability	1,862,139	932,060
Combined valuation payroll	1,847,439	1,615,908
Net pension UAL as a percentage of payroll	101%	58%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.19%)	(5.96%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$47,859	$58,138
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	59,931	6,245	10.34%	67,630	6,993
Total General Service		**59,931**	**6,245**		**67,630**	**6,993**
Tier 1 Police & Fire	15.06%	283,277	42,662	14.74%	241,817	35,644
Tier 2 Police & Fire	15.12%	609,308	92,127	15.03%	617,663	92,835
Total Police & Fire		**892,585**	**134,789**		**859,480**	**128,479**
Total		**$952,516**	**$141,034**		**$927,110**	**$135,472**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.10%**			**14.95%**
Aggregate (Default)			**14.81%**			**14.61%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,169,348)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(7.33%)
B. Actual employer payroll	950,577
C. Payment to transition liability/(surplus)	(69,677)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(8.02%)
B. Actual employer payroll	844,692
C. Payment to transition liability/(surplus)	(67,744)
4. Supplemental payment to transition liability	0
5. Interest	(82,554)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($1,114,481)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,114,481)	(1,169,348)
2. Combined valuation payroll	1,847,439	1,615,908
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(5.19%)**	**(5.96%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,847,439	1,615,908
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Lake County 4-H & Extension Service/2850
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Lake County 4-H & Extension Service/2850

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Lake County 4-H & Extension Service/2850

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Lake County 4-H & Extension Service -- #2850

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Lake County 4-H & Extension Service to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lake County 4-H & Extension Service.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Lake County 4-H & Extension Service

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.78%	5.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(9.92%)	(9.92%)	(9.92%)	(9.92%)	(9.92%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**6.37%**	**6.37%**	**15.68%**	**6.86%**	**9.59%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**6.96%**	**6.96%**	**16.27%**	**7.35%**	**10.08%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	2.08%	2.08%	11.64%	2.41%	5.12%
July 1, 2013 to June 30, 2015	6.37%	6.37%	15.68%	6.86%	9.59%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Lake County 4-H & Extension Service

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$56,806	$43,748
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(41,105)	(41,136)
Allocated pooled OPSRP UAL	608	422
Side account	0	0
Net unfunded pension actuarial accrued liability	16,309	3,034
Combined valuation payroll	35,634	33,965
Net pension UAL as a percentage of payroll	46%	9%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(9.92%)	(9.98%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$923	$1,222
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$35,634	$2,060	5.65%	$33,965	$1,919
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**35,634**	**2,060**		**33,965**	**1,919**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$35,634**	**$2,060**		**$33,965**	**$1,919**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.78%**			**5.65%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($41,136)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(8.02%)
B. Actual employer payroll	16,750
C. Payment to transition liability/(surplus)	(1,343)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(9.90%)
B. Actual employer payroll	17,500
C. Payment to transition liability/(surplus)	(1,733)
4. Supplemental payment to transition liability	0
5. Interest	(3,045)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($41,105)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(41,105)	(41,136)
2. Combined valuation payroll	35,634	33,965
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(9.92%)**	**(9.98%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	35,634	33,965
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

Lake County Library District/2768
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Lake County Library District/2768

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Lake County Library District/2768

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Lake County Library District -- #2768

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Lake County Library District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lake County Library District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Lake County Library District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.78%	5.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.97%	0.97%	0.97%	0.97%	0.97%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.50%**	**15.50%**	**24.81%**	**15.99%**	**18.72%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.09%**	**16.09%**	**25.40%**	**16.48%**	**19.21%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.44%	11.44%	21.00%	11.77%	14.48%
July 1, 2013 to June 30, 2015	15.50%	15.50%	24.81%	15.99%	18.72%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Lake County Library District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$160,823	$119,303
Allocated pre-SLGRP pooled liability/(surplus)	(20,586)	(19,041)
Transition liability/(surplus)	11,390	12,111
Allocated pooled OPSRP UAL	1,721	1,150
Side account	0	0
Net unfunded pension actuarial accrued liability	153,348	113,523
Combined valuation payroll	100,883	92,624
Net pension UAL as a percentage of payroll	152%	123%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.97%	1.08%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,613	$3,332
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$27,056	$1,564	5.65%	$25,911	$1,464
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**27,056**	**1,564**		**25,911**	**1,464**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$27,056**	**$1,564**		**$25,911**	**$1,464**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.78%**			**5.65%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$12,111
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	2.17%
B. Actual employer payroll	45,474
C. Payment to transition liability/(surplus)	987
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	1.16%
B. Actual employer payroll	49,818
C. Payment to transition liability/(surplus)	578
4. Supplemental payment to transition liability	0
5. Interest	844
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$11,390**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	11,390	12,111
2. Combined valuation payroll	100,883	92,624
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.97%**	**1.08%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	100,883	92,624
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Lake County/2000
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Lake County/2000

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012

Lake County/2000

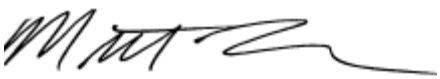
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Lake County -- #2000

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Lake County to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lake County.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Lake County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.29%	8.39%	15.11%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(2.48%)	(2.48%)	(2.48%)	(2.48%)	(2.48%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.56%**	**14.66%**	**21.38%**	**12.54%**	**15.27%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.15%**	**15.25%**	**21.97%**	**13.03%**	**15.76%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.63%	9.65%	16.84%	7.87%	10.58%
July 1, 2013 to June 30, 2015	16.56%	14.66%	21.38%	12.54%	15.27%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Lake County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$5,883,301	$4,423,331
Allocated pre-SLGRP pooled liability/(surplus)	(753,071)	(705,979)
Transition liability/(surplus)	(1,063,381)	(1,098,033)
Allocated pooled OPSRP UAL	62,970	42,640
Side account	0	0
Net unfunded pension actuarial accrued liability	4,129,819	2,661,959
Combined valuation payroll	3,690,553	3,434,173
Net pension UAL as a percentage of payroll	112%	78%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(2.48%)	(2.64%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$95,606	$123,556
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$591,300	$34,177	5.65%	$629,806	$35,584
Tier 2 General Service	10.42%	757,194	78,900	10.34%	712,340	73,656
Total General Service		**1,348,494**	**113,077**		**1,342,146**	**109,240**
Tier 1 Police & Fire	15.06%	124,241	18,711	14.74%	121,058	17,844
Tier 2 Police & Fire	15.12%	407,343	61,590	15.03%	393,514	59,145
Total Police & Fire		**531,584**	**80,301**		**514,572**	**76,989**
Total		**$1,880,078**	**$193,378**		**$1,856,718**	**$186,229**
Employer normal cost rate						
General Service			**8.39%**			**8.14%**
Police & Fire			**15.11%**			**14.96%**
Aggregate (Default)			**10.29%**			**10.03%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,098,033)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.64%)
B. Actual employer payroll	1,745,647
C. Payment to transition liability/(surplus)	(63,542)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.74%)
B. Actual employer payroll	1,820,435
C. Payment to transition liability/(surplus)	(49,879)
4. Supplemental payment to transition liability	0
5. Interest	(78,769)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,063,381)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,063,381)	(1,098,033)
2. Combined valuation payroll	3,690,553	3,434,173
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.48%)**	**(2.64%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	3,690,553	3,434,173
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Lane Community College/2904
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Lane Community College/2904

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Lane Community College/2904

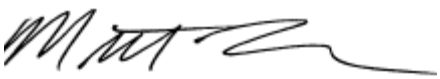
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Lane Community College -- #2904

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Lane Community College to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lane Community College.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Lane Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.07%	8.07%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	1.86%	1.86%	1.86%	1.86%	1.86%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(8.83%)	(8.83%)	(8.83%)	(8.83%)	(8.83%)
Net pension contribution rate	**11.61%**	**11.61%**	**18.63%**	**9.81%**	**12.54%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**12.20%**	**12.20%**	**19.22%**	**10.30%**	**13.03%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	6.06%	6.06%	13.72%	4.49%	7.20%
July 1, 2013 to June 30, 2015	11.61%	11.61%	18.63%	9.81%	12.54%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Lane Community College

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$82,843,565	$67,377,105
Allocated pre-SLGRP pooled liability/(surplus)	11,259,187	11,472,145
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	886,683	649,494
Side account	53,318,929	57,909,008
Net unfunded pension actuarial accrued liability	41,670,506	21,589,736
Combined valuation payroll	51,967,178	52,310,040
Net pension UAL as a percentage of payroll	80%	41%
Pre-SLGRP pooled rate	1.86%	1.81%
Transition rate	0.00%	0.00%
Side account rate relief	(8.83%)	(9.12%)
Allocated pooled RHIA UAL	$1,346,236	$1,882,033
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$126,008,735	$7,283,305	5.65%	$135,189,476	$7,638,205
Tier 2 General Service	10.42%	123,113,364	12,828,413	10.34%	125,634,641	12,990,622
Total General Service		**249,122,099**	**20,111,718**		**260,824,117**	**20,628,827**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$249,122,099**	**$20,111,718**		**$260,824,117**	**$20,628,827**
Employer normal cost rate						
General Service			**8.07%**			**7.91%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.07%**			**7.91%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	403,407,903	413,952,327
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$57,909,008**	**$57,909,008**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(6,131,729)	(6,131,729)
5. Side account earnings during 2011		1,542,649	1,542,649
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$53,318,929**	**$53,318,929**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$53,318,929	$57,909,008
Side Account 2	0	0
Side Account 3	0	0
Total	**$53,318,929**	**$57,909,008**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$53,318,929	$57,909,008
2. Combined valuation payroll	51,967,178	52,310,040
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(8.83%)	(9.12%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Lane Council of Governments/2522
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
Lane Council of Governments/2522

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Lane Council of Governments/2522

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Lane Council of Governments -- #2522

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Lane Council of Governments to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lane Council of Governments.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Lane Council of Governments

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.45%	7.45%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(1.53%)	(1.53%)	(1.53%)	(1.53%)	(1.53%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.43%**	**16.43%**	**24.07%**	**15.25%**	**17.98%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.02%**	**17.02%**	**24.66%**	**15.74%**	**18.47%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.93%	11.93%	19.97%	10.74%	13.45%
July 1, 2013 to June 30, 2015	16.43%	16.43%	24.07%	15.25%	17.98%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Lane Council of Governments

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$14,894,419	$12,544,546
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(1,665,168)	(1,706,294)
Allocated pooled OPSRP UAL	159,417	120,925
Side account	0	0
Net unfunded pension actuarial accrued liability	13,388,668	10,959,177
Combined valuation payroll	9,343,163	9,739,298
Net pension UAL as a percentage of payroll	143%	113%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.53%)	(1.44%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$242,039	$350,405
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$3,935,399	$227,466	5.65%	$4,406,274	$248,954
Tier 2 General Service	10.42%	2,204,925	229,753	10.34%	2,446,086	252,925
Total General Service		**6,140,324**	**457,219**		**6,852,360**	**501,879**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$6,140,324**	**$457,219**		**$6,852,360**	**$501,879**
Employer normal cost rate						
General Service			**7.45%**			**7.32%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.45%**			**7.32%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,706,294)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.68%)
B. Actual employer payroll	5,213,820
C. Payment to transition liability/(surplus)	(87,592)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.57%)
B. Actual employer payroll	4,896,848
C. Payment to transition liability/(surplus)	(76,880)
4. Supplemental payment to transition liability	0
5. Interest	(123,346)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,665,168)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,665,168)	(1,706,294)
2. Combined valuation payroll	9,343,163	9,739,298
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.53%)**	**(1.44%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	9,343,163	9,739,298
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Lane County Fire District #1/2635
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

As of January 1, 2012, you joined the State & Local Government Rate Pool (SLGRP). This report shows the calculations related to joining the SLGRP and reflects that transition in the results presented.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- The development of your transition liability or surplus upon joining the SLGRP,
- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
Lane County Fire District #1/2635

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Lane County Fire District #1/2635

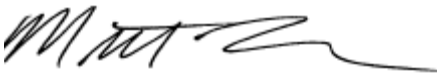
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

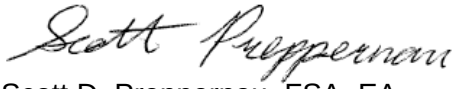
The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary



Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL
Lane County Fire District #1 -- #2635

SEPTEMBER 2012

Secondary Employers

2609 Elmira-Noti Rural Fire Protection District

2636 Crow Valley Rural Fire Protection District

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CONTENTS

Executive Summary 1

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Joining the SLGRP 10

Weighted Average Tier 1/Tier 2 Normal Cost 13

Transition Liability Information 14

Side Account Information 15

Brief Summary of Methods and Assumptions 17

Brief Summary of Changes in Plan Provisions 19

Glossary 20

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Executive Summary

Milliman has prepared this report for Lane County Fire District #1 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lane County Fire District #1.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Lane County Fire District #1

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	13.75%	5.78%	15.07%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(2.34%)	(2.34%)	(2.34%)	(2.34%)	(2.34%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**21.92%**	**13.95%**	**23.24%**	**14.44%**	**17.17%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**22.51%**	**14.54%**	**23.83%**	**14.93%**	**17.66%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	**80% to 120%**	**Under 70% or Over 130%**
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting firm and cannot provide accounting advice. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2013 to June 30, 2015	21.92%	13.95%	23.24%	14.44%	17.17%

If a side account is established after December 31, 2011, the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

For the period immediately prior to joining the SLGRP, please refer to your December 31, 2010, valuation report.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Lane County Fire District #1

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL [1]	$710,521	$443,002
Allocated pre-SLGRP pooled liability/(surplus)	0	N/A
Transition liability/(surplus)	(131,849)	N/A
Allocated pooled OPSRP UAL	7,605	5,831
Side account	0	0
Net unfunded pension actuarial accrued liability	586,277	448,833
Combined valuation payroll	445,691	469,656
Net pension UAL as a percentage of payroll	132%	96%
Pre-SLGRP pooled rate	0.00%	N/A
Transition rate	(2.34%)	N/A
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$11,546	$16,897
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

[1] *The UAL shown as of December 31, 2010 is the UAL as an independent employer, not as a member of the SLGRP.*

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Executive Summary

Principal Valuation Results (continued)

SLGRP

(in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate [1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Joining the SLGRP

As of December 31, 2011, Lane County Fire District #1 was an independent employer, but joined the SLGRP effective January 1, 2012. Since the contribution rate effective July 1, 2013 is based on the SLGRP's contribution rate adjusted for any transition liability or surplus, this report shows the valuation results for the SLGRP. However, this section of the report summarizes your experience as an independent employer through December 31, 2011 and the calculation of the transition liability or surplus effective January 1, 2012 when you joined the SLGRP.

Funded Status and UAL as an Independent Employer

Tier 1/Tier 2 Pension	December 31, 2011	December 31, 2010
1. Actuarial accrued liability	$2,741,660	$2,650,963
2. Actuarial value of assets	2,162,988	2,207,961
3. Unfunded accrued liability *(1. – 2.)*	578,672	443,002
4. Funded percentage *(2. ÷ 1.)*	79%	83%
5. Combined valuation payroll	$445,691	$469,656
6. Unfunded accrued liability as % of combined valuation payroll *(3. ÷ 5.)*	130%	94%

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Joining the SLGRP

Actuarial Gain or Loss since Prior Valuation

The system-wide report contains a detailed analysis of gains and losses since the last valuation. The table below shows the Tier 1/Tier 2 Pension gain or loss for the individual employer separately for assets and liabilities.

1. Expected actuarial accrued liability	
a. Actuarial accrued liability at December 31, 2010	$2,650,963
b. Normal cost at December 31, 2010	$57,556
c. Benefit payments during 2011	($122,149)
d. Interest at 8.0% to December 31, 2011	$211,796
e. Expected actuarial accrued liability before changes *(a. + b. + c. + d.)*	$2,798,166
f. Change in actuarial accrued liability due to assumption changes	$0
g. Expected actuarial accrued liability at December 31, 2011 *(e. + f.)*	$2,798,166
2. Actuarial accrued liability at December 31, 2011	$2,741,660
3. Gain/(loss) on actuarial accrued liability *(1.g. – 2.)*	$56,506
4. Expected actuarial value of assets	
a. Actuarial value of assets at December 31, 2010	$2,207,961
b. Contributions for 2011 [1]	$26,239
c. Benefit payments and expenses during 2011	($122,955)
d. Interest at 8.0% to December 31, 2011	$172,768
e. Expected actuarial value of assets at December 31, 2011 *(a. + b. + c. + d.)*	$2,284,014
5. Actuarial value of assets at December 31, 2011	$2,162,988
6. Gain/(loss) on actuarial value of assets *(5. - 4.e.)*	($121,026)
7. Total actuarial gain/(loss) *(3. + 6.)*	($64,520)

[1] *Includes rate relief from side accounts and excludes contributions for Multnomah Fire District.*

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Joining the SLGRP

Calculation of Transition Liability

An employer's UAL at the date it joins the SLGRP is allocated between the SLGRP and an employer-specific transition liability or surplus. This allocation ensures that the SLGRP UAL rate developed at the merger date is not affected positively or negatively by merging employers. The transition liability or surplus can be thought of as a loan to or from the SLGRP so that each employer in the SLGRP is on a comparable basis.

The table below shows the calculation of the transition liability or surplus as of the January 1, 2012 SLGRP merger date.

Tier 1/Tier 2 Pension	**SLGRP Prior to New Employers**	**Lane County Fire District #1**
1. UAL prior to joining the SLGRP	$7,867,077,745	$578,672
2. Combined valuation payroll	$4,934,961,810	$445,691
3. UAL as a percentage of payroll *(1. ÷ 2.)*	159.42%	
4. UAL allocated to SLGRP *(2. × 3.)*		$710,521
5. UAL allocated to transition liability *(1. - 4.)*		($131,849)
6. UAL after joining SLGRP *(4. + 5.)*		**$578,672**

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate at December 31, 2011

	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$50,214	$2,902
Tier 2 General Service	10.42%	0	0
Total General Service		**50,214**	**2,902**
Tier 1 Police & Fire	15.06%	234,784	35,358
Tier 2 Police & Fire	15.12%	68,351	10,335
Total Police & Fire		**303,135**	**45,693**
Total		**$353,349**	**$48,595**
Employer normal cost rate			
General Service			**5.78%**
Police & Fire			**15.07%**
Aggregate (Default)			**13.75%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Development of Transition Liability or Surplus rate

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below develops the contribution rate for the transition liability or surplus.

	December 31, 2011
1. Transition liability/(surplus)	(131,849)
2. Combined valuation payroll	445,691
3. Regular amortization factor	12.622
4. Transition liability/(surplus) rate *(1. ÷ 2. ÷ 3.)*	**(2.34%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	445,691	469,656
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Lebanon Aquatic District/2849
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Lebanon Aquatic District/2849

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Lebanon Aquatic District/2849

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Lebanon Aquatic District -- #2849

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Lebanon Aquatic District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lebanon Aquatic District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Lebanon Aquatic District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.87%	5.87%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(5.96%)	(5.96%)	(5.96%)	(5.96%)	(5.96%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**10.42%**	**10.42%**	**19.64%**	**10.82%**	**13.55%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**11.01%**	**11.01%**	**20.23%**	**11.31%**	**14.04%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	1.38%	1.38%	10.94%	1.71%	4.42%
July 1, 2013 to June 30, 2015	10.42%	10.42%	19.64%	10.82%	13.55%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Lebanon Aquatic District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$176,917	$267,191
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(76,863)	(85,190)
Allocated pooled OPSRP UAL	1,894	2,576
Side account	0	0
Net unfunded pension actuarial accrued liability	101,948	184,577
Combined valuation payroll	110,979	207,441
Net pension UAL as a percentage of payroll	92%	89%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.96%)	(3.38%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,875	$7,463
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$64,609	$3,734	5.65%	$81,057	$4,580
Tier 2 General Service	10.42%	1,275	133	10.34%	1,362	141
Total General Service		**65,884**	**3,867**		**82,419**	**4,721**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$65,884**	**$3,867**		**$82,419**	**$4,721**
Employer normal cost rate						
General Service			**5.87%**			**5.73%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.87%**			**5.73%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($85,190)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(7.48%)
B. Actual employer payroll	85,054
C. Payment to transition liability/(surplus)	(6,362)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(10.60%)
B. Actual employer payroll	72,255
C. Payment to transition liability/(surplus)	(7,659)
4. Supplemental payment to transition liability	0
5. Interest	(5,694)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($76,863)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(76,863)	(85,190)
2. Combined valuation payroll	110,979	207,441
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(5.96%)**	**(3.38%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	110,979	207,441
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Lebanon Fire District/2705
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Lebanon Fire District/2705

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Lebanon Fire District/2705

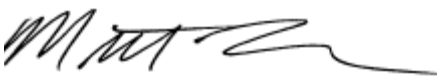
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Lebanon Fire District -- #2705

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Lebanon Fire District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lebanon Fire District.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Lebanon Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.87%	5.78%	15.07%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(3.80%)	(3.80%)	(3.80%)	(3.80%)	(3.80%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**21.58%**	**12.49%**	**21.78%**	**12.98%**	**15.71%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**22.17%**	**13.08%**	**22.37%**	**13.47%**	**16.20%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	17.36%	8.56%	17.60%	8.08%	10.79%
July 1, 2013 to June 30, 2015	21.58%	12.49%	21.78%	12.98%	15.71%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Lebanon Fire District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$4,209,388	$3,279,808
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(1,165,663)	(1,239,097)
Allocated pooled OPSRP UAL	45,054	31,616
Side account	0	0
Net unfunded pension actuarial accrued liability	3,088,779	2,072,327
Combined valuation payroll	2,640,519	2,546,368
Net pension UAL as a percentage of payroll	117%	81%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.80%)	(4.01%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$68,404	$91,614
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$38,953	$2,251	5.65%	$39,183	$2,214
Tier 2 General Service	10.42%	0	0	10.34%	10,221	1,057
Total General Service		**38,953**	**2,251**		**49,404**	**3,271**
Tier 1 Police & Fire	15.06%	1,534,744	231,132	14.74%	1,504,384	221,746
Tier 2 Police & Fire	15.12%	277,612	41,975	15.03%	244,992	36,822
Total Police & Fire		**1,812,356**	**273,107**		**1,749,376**	**258,568**
Total		**$1,851,309**	**$275,358**		**$1,798,780**	**$261,839**
Employer normal cost rate						
General Service			**5.78%**			**6.62%**
Police & Fire			**15.07%**			**14.78%**
Aggregate (Default)			**14.87%**			**14.56%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,239,097)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(8.57%)
B. Actual employer payroll	1,230,672
C. Payment to transition liability/(surplus)	(105,469)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.23%)
B. Actual employer payroll	1,283,941
C. Payment to transition liability/(surplus)	(54,310)
4. Supplemental payment to transition liability	0
5. Interest	(86,345)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,165,663)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,165,663)	(1,239,097)
2. Combined valuation payroll	2,640,519	2,546,368
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.80%)**	**(4.01%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	2,640,519	2,546,368
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

Lincoln County 911/2661
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Lincoln County 911/2661

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012

Lincoln County 911/2661

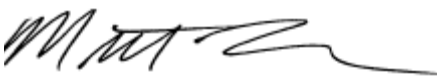
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Lincoln County 911 -- #2661

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Lincoln County 911 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lincoln County 911.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Lincoln County 911

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.21%	9.21%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(20.55%)	(20.55%)	(20.55%)	(20.55%)	(20.55%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**0.00%**	**0.00%**	**5.05%**	**0.00%**	**0.00%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**0.59%**	**0.59%**	**5.64%**	**0.49%**	**0.49%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	0.00%	0.00%	5.78%	0.00%	0.00%
July 1, 2013 to June 30, 2015	0.00%	0.00%	5.05%	0.00%	0.00%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Lincoln County 911

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,069,953	$834,051
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(1,603,513)	(1,568,581)
Allocated pooled OPSRP UAL	11,452	8,040
Side account	0	0
Net unfunded pension actuarial accrued liability	(522,108)	(726,490)
Combined valuation payroll	671,174	647,538
Net pension UAL as a percentage of payroll	(78%)	(112%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(20.55%)	(19.96%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$17,387	$23,297
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$76,361	$4,414	5.65%	$137,487	$7,768
Tier 2 General Service	10.42%	217,468	22,660	10.34%	216,598	22,396
Total General Service		**293,829**	**27,074**		**354,085**	**30,164**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$293,829**	**$27,074**		**$354,085**	**$30,164**
Employer normal cost rate						
General Service			**9.21%**			**8.52%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.21%**			**8.52%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,568,581)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(10.74%)
B. Actual employer payroll	347,165
C. Payment to transition liability/(surplus)	(36,903)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(14.73%)
B. Actual employer payroll	349,291
C. Payment to transition liability/(surplus)	(46,944)
4. Supplemental payment to transition liability	0
5. Interest	(118,779)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,603,513)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,603,513)	(1,568,581)
2. Combined valuation payroll	671,174	647,538
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(20.55%)**	**(19.96%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	671,174	647,538
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Lincoln County/2043
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Lincoln County/2043

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
Lincoln County/2043

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Lincoln County -- #2043

SEPTEMBER 2012

Secondary Employers

2051 Lincoln County Non-Part

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Lincoln County to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lincoln County.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Lincoln County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.08%	7.92%	15.08%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(9.10%)	(9.10%)	(9.10%)	(9.10%)	(9.10%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**14.73%**	**7.57%**	**14.73%**	**5.92%**	**8.65%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.32%**	**8.16%**	**15.32%**	**6.41%**	**9.14%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.36%	2.48%	10.36%	1.03%	3.74%
July 1, 2013 to June 30, 2015	14.73%	7.57%	14.73%	5.92%	8.65%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Lincoln County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$6,770,214	$5,426,486
Allocated pre-SLGRP pooled liability/(surplus)	(866,597)	(866,086)
Transition liability/(surplus)	(4,494,742)	(4,551,426)
Allocated pooled OPSRP UAL	72,462	52,310
Side account	0	0
Net unfunded pension actuarial accrued liability	1,481,337	61,284
Combined valuation payroll	4,246,907	4,212,999
Net pension UAL as a percentage of payroll	35%	1%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(9.10%)	(8.90%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$110,018	$151,577
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	1,681,521	253,237	14.74%	1,679,463	247,553
Tier 2 Police & Fire	15.12%	923,752	139,671	15.03%	958,049	143,995
Total Police & Fire		**2,605,273**	**392,908**		**2,637,512**	**391,548**
Total		**$2,605,273**	**$392,908**		**$2,637,512**	**$391,548**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.08%**			**14.85%**
Aggregate (Default)			**15.08%**			**14.85%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($4,551,426)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(8.55%)
B. Actual employer payroll	2,115,860
C. Payment to transition liability/(surplus)	(180,906)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(9.58%)
B. Actual employer payroll	2,178,730
C. Payment to transition liability/(surplus)	(208,722)
4. Supplemental payment to transition liability	0
5. Interest	(332,944)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($4,494,742)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(4,494,742)	(4,551,426)
2. Combined valuation payroll	4,246,907	4,212,999
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(9.10%)**	**(8.90%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	4,246,907	4,212,999
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Linn-Benton Community College/2910
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Linn-Benton Community College/2910

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Linn-Benton Community College/2910

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Linn-Benton Community College -- #2910

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Linn-Benton Community College to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Linn-Benton Community College.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Linn-Benton Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.07%	8.07%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	1.86%	1.86%	1.86%	1.86%	1.86%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(8.07%)	(8.07%)	(8.07%)	(8.07%)	(8.07%)
Net pension contribution rate	**12.37%**	**12.37%**	**19.39%**	**10.57%**	**13.30%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**12.96%**	**12.96%**	**19.98%**	**11.06%**	**13.79%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	7.53%	7.53%	15.19%	5.96%	8.67%
July 1, 2013 to June 30, 2015	12.37%	12.37%	19.39%	10.57%	13.30%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Linn-Benton Community College

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$41,766,869	$36,076,937
Allocated pre-SLGRP pooled liability/(surplus)	5,676,494	6,142,737
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	447,035	347,770
Side account	24,583,127	25,567,782
Net unfunded pension actuarial accrued liability	23,307,271	16,999,662
Combined valuation payroll	26,200,059	28,009,307
Net pension UAL as a percentage of payroll	89%	61%
Pre-SLGRP pooled rate	1.86%	1.81%
Transition rate	0.00%	0.00%
Side account rate relief	(8.07%)	(7.52%)
Allocated pooled RHIA UAL	$678,726	$1,007,731
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$126,008,735	$7,283,305	5.65%	$135,189,476	$7,638,205
Tier 2 General Service	10.42%	123,113,364	12,828,413	10.34%	125,634,641	12,990,622
Total General Service		**249,122,099**	**20,111,718**		**260,824,117**	**20,628,827**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$249,122,099**	**$20,111,718**		**$260,824,117**	**$20,628,827**
Employer normal cost rate						
General Service			**8.07%**			**7.91%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.07%**			**7.91%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	403,407,903	413,952,327
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$25,567,782**	**$25,567,782**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(1,648,860)	(1,648,860)
5. Side account earnings during 2011		665,205	665,205
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$24,583,127**	**$24,583,127**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$24,583,127	$25,567,782
Side Account 2	0	0
Side Account 3	0	0
Total	**$24,583,127**	**$25,567,782**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$24,583,127	$25,567,782
2. Combined valuation payroll	26,200,059	28,009,307
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(8.07%)	(7.52%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

Linn-Benton Housing Authority/2753
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Linn-Benton Housing Authority/2753

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Linn-Benton Housing Authority/2753

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Linn-Benton Housing Authority -- #2753

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Linn-Benton Housing Authority to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Linn-Benton Housing Authority.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Linn-Benton Housing Authority

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.05%	9.05%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(8.48%)	(8.48%)	(8.48%)	(8.48%)	(8.48%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**11.08%**	**11.08%**	**17.12%**	**8.30%**	**11.03%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**11.67%**	**11.67%**	**17.71%**	**8.79%**	**11.52%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	7.86%	7.86%	14.23%	5.00%	7.71%
July 1, 2013 to June 30, 2015	11.08%	11.08%	17.12%	8.30%	11.03%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Linn-Benton Housing Authority

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,614,900	$1,406,855
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(999,198)	(1,011,923)
Allocated pooled OPSRP UAL	17,284	13,562
Side account	0	0
Net unfunded pension actuarial accrued liability	632,986	408,494
Combined valuation payroll	1,013,015	1,092,250
Net pension UAL as a percentage of payroll	62%	37%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(8.48%)	(7.64%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$26,243	$39,297
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$199,635	$11,539	5.65%	$194,464	$10,987
Tier 2 General Service	10.42%	478,358	49,845	10.34%	610,886	63,166
Total General Service		**677,993**	**61,384**		**805,350**	**74,153**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$677,993**	**$61,384**		**$805,350**	**$74,153**
Employer normal cost rate						
General Service			**9.05%**			**9.21%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.05%**			**9.21%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,011,923)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(8.17%)
B. Actual employer payroll	567,427
C. Payment to transition liability/(surplus)	(46,359)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(7.31%)
B. Actual employer payroll	552,413
C. Payment to transition liability/(surplus)	(40,381)
4. Supplemental payment to transition liability	0
5. Interest	(74,015)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($999,198)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(999,198)	(1,011,923)
2. Combined valuation payroll	1,013,015	1,092,250
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(8.48%)**	**(7.64%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,013,015	1,092,250
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Local Government Personnel Institute/2572
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012
Local Government Personnel Institute/2572

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Local Government Personnel Institute/2572

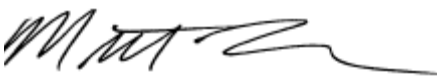
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Local Government Personnel Institute -- #2572

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Local Government Personnel Institute to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Local Government Personnel Institute.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Local Government Personnel Institute

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.33%	7.33%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.54%	0.54%	0.54%	0.54%	0.54%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.62%**	**16.62%**	**24.38%**	**15.56%**	**18.29%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.21%**	**17.21%**	**24.97%**	**16.05%**	**18.78%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.03%	15.03%	20.50%	11.27%	13.98%
July 1, 2013 to June 30, 2015	16.62%	16.62%	24.38%	15.56%	18.29%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Local Government Personnel Institute

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$622,027	$393,368
Allocated pre-SLGRP pooled liability/(surplus)	(79,620)	(62,783)
Transition liability/(surplus)	24,691	26,672
Allocated pooled OPSRP UAL	6,658	3,792
Side account	0	0
Net unfunded pension actuarial accrued liability	573,756	361,049
Combined valuation payroll	390,193	305,402
Net pension UAL as a percentage of payroll	147%	118%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.54%	0.72%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$10,108	$10,988
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$98,871	$5,715	5.65%	$16,471	$931
Tier 2 General Service	10.42%	49,681	5,177	10.34%	41,652	4,307
Total General Service		**148,552**	**10,892**		**58,123**	**5,238**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$148,552**	**$10,892**		**$58,123**	**$5,238**
Employer normal cost rate						
General Service			**7.33%**			**9.01%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.33%**			**9.01%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$26,672
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.95%
B. Actual employer payroll	220,344
C. Payment to transition liability/(surplus)	2,093
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.66%
B. Actual employer payroll	260,207
C. Payment to transition liability/(surplus)	1,717
4. Supplemental payment to transition liability	0
5. Interest	1,829
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$24,691**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	24,691	26,672
2. Combined valuation payroll	390,193	305,402
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.54%**	**0.72%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	390,193	305,402
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Lowell Rural Fire Protection District/2700
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Lowell Rural Fire Protection District/2700

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Lowell Rural Fire Protection District/2700

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Lowell Rural Fire Protection District -- #2700

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Lowell Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lowell Rural Fire Protection District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Lowell Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.06%	7.92%	15.06%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(33.36%)	(33.36%)	(33.36%)	(33.36%)	(33.36%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	4.41%	0.00%	4.41%	0.00%	0.00%
July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%	0.00%	0.00%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Lowell Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$67,586	$182,769
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(164,408)	(155,821)
Allocated pooled OPSRP UAL	723	1,762
Side account	0	0
Net unfunded pension actuarial accrued liability	(96,099)	28,710
Combined valuation payroll	42,396	141,898
Net pension UAL as a percentage of payroll	(227%)	20%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(33.36%)	(9.05%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,098	$5,105
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	42,396	6,385	14.74%	141,898	20,916
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**42,396**	**6,385**		**141,898**	**20,916**
Total		**$42,396**	**$6,385**		**$141,898**	**$20,916**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.06%**			**14.74%**
Aggregate (Default)			**15.06%**			**14.74%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($155,821)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	7.07%
B. Actual employer payroll	53,260
C. Payment to transition liability/(surplus)	3,766
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(17.55%)
B. Actual employer payroll	41,915
C. Payment to transition liability/(surplus)	(7,357)
4. Supplemental payment to transition liability	0
5. Interest	(12,178)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($164,408)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(164,408)	(155,821)
2. Combined valuation payroll	42,396	141,898
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(33.36%)**	**(9.05%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	42,396	141,898
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Lyons Fire District/2823
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Lyons Fire District/2823

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Lyons Fire District/2823

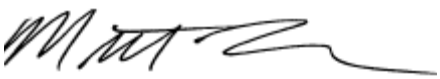
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Lyons Fire District -- #2823

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Lyons Fire District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Lyons Fire District.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Lyons Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.15%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	0.92%	0.92%	0.92%	0.92%	0.92%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**20.58%**	**19.35%**	**26.52%**	**17.70%**	**20.43%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**21.17%**	**19.94%**	**27.11%**	**18.19%**	**20.92%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.94%	14.63%	22.41%	13.18%	15.89%
July 1, 2013 to June 30, 2015	20.58%	19.35%	26.52%	17.70%	20.43%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Lyons Fire District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$61,566	$49,387
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	4,116	4,144
Allocated pooled OPSRP UAL	659	476
Side account	0	0
Net unfunded pension actuarial accrued liability	66,341	54,007
Combined valuation payroll	38,620	38,343
Net pension UAL as a percentage of payroll	172%	141%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	0.92%	0.89%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,000	$1,380
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$0**	**$0**		**$0**	**$0**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.15%**			**8.96%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$4,144
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.95%
B. Actual employer payroll	17,697
C. Payment to transition liability/(surplus)	168
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.87%
B. Actual employer payroll	18,997
C. Payment to transition liability/(surplus)	165
4. Supplemental payment to transition liability	0
5. Interest	305
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$4,116**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	4,116	4,144
2. Combined valuation payroll	38,620	38,343
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.92%**	**0.89%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	38,620	38,343
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Marion County Housing Authority/2598
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Marion County Housing Authority/2598

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Marion County Housing Authority/2598

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Marion County Housing Authority -- #2598

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Marion County Housing Authority to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Marion County Housing Authority.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Marion County Housing Authority

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.43%	8.43%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(14.93%)	(14.93%)	(14.93%)	(14.93%)	(14.93%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**4.01%**	**4.01%**	**10.67%**	**1.85%**	**4.58%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**4.60%**	**4.60%**	**11.26%**	**2.34%**	**5.07%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	0.34%	0.34%	7.59%	0.00%	1.07%
July 1, 2013 to June 30, 2015	4.01%	4.01%	10.67%	1.85%	4.58%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Marion County Housing Authority

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,554,059	$1,256,033
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(1,691,926)	(1,679,171)
Allocated pooled OPSRP UAL	16,633	12,108
Side account	0	0
Net unfunded pension actuarial accrued liability	(121,234)	(411,030)
Combined valuation payroll	974,850	975,155
Net pension UAL as a percentage of payroll	(12%)	(42%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(14.93%)	(14.19%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$25,254	$35,085
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$305,098	$17,635	5.65%	$298,004	$16,837
Tier 2 General Service	10.42%	406,159	42,322	10.34%	392,755	40,611
Total General Service		**711,257**	**59,957**		**690,759**	**57,448**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$711,257**	**$59,957**		**$690,759**	**$57,448**
Employer normal cost rate						
General Service			**8.43%**			**8.32%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.43%**			**8.32%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,679,171)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(10.19%)
B. Actual employer payroll	488,171
C. Payment to transition liability/(surplus)	(50,185)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(13.95%)
B. Actual employer payroll	462,586
C. Payment to transition liability/(surplus)	(62,388)
4. Supplemental payment to transition liability	0
5. Interest	(125,328)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,691,926)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,691,926)	(1,679,171)
2. Combined valuation payroll	974,850	975,155
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(14.93%)**	**(14.19%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	974,850	975,155
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Marion County/2009
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Marion County/2009

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
Marion County/2009

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Marion County -- #2009

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Marion County to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Marion County.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Marion County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.05%	8.08%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(4.35%)	(4.35%)	(4.35%)	(4.35%)	(4.35%)
Side account rate relief [2]	(1.99%)	(1.99%)	(1.99%)	(1.99%)	(1.99%)
Net pension contribution rate	**14.22%**	**12.25%**	**19.26%**	**10.44%**	**13.17%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.81%**	**12.84%**	**19.85%**	**10.93%**	**13.66%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.87%	7.91%	15.55%	6.30%	9.01%
July 1, 2013 to June 30, 2015	14.22%	12.25%	19.26%	10.44%	13.17%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Marion County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$118,198,622	$99,017,586
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(37,528,280)	(37,855,173)
Allocated pooled OPSRP UAL	1,265,092	954,498
Side account	17,148,651	18,372,560
Net unfunded pension actuarial accrued liability	64,786,783	43,744,351
Combined valuation payroll	74,145,153	76,874,984
Net pension UAL as a percentage of payroll	87%	57%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.35%)	(4.06%)
Side account rate relief	(1.99%)	(1.97%)
Allocated pooled RHIA UAL	$1,920,768	$2,765,840
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$17,340,699	$1,002,292	5.65%	$19,634,540	$1,109,352
Tier 2 General Service	10.42%	17,001,162	1,771,521	10.34%	17,808,135	1,841,361
Total General Service		**34,341,861**	**2,773,813**		**37,442,675**	**2,950,713**
Tier 1 Police & Fire	15.06%	6,470,343	974,434	14.74%	7,076,384	1,043,059
Tier 2 Police & Fire	15.12%	7,002,154	1,058,726	15.03%	7,087,962	1,065,321
Total Police & Fire		**13,472,497**	**2,033,160**		**14,164,346**	**2,108,380**
Total		**$47,814,358**	**$4,806,973**		**$51,607,021**	**$5,059,093**
Employer normal cost rate						
General Service			**8.08%**			**7.88%**
Police & Fire			**15.09%**			**14.89%**
Aggregate (Default)			**10.05%**			**9.80%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($37,855,173)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(4.15%)
B. Actual employer payroll	37,426,998
C. Payment to transition liability/(surplus)	(1,553,220)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.07%)
B. Actual employer payroll	38,170,642
C. Payment to transition liability/(surplus)	(1,553,546)
4. Supplemental payment to transition liability	0
5. Interest	(2,779,873)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($37,528,280)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(37,528,280)	(37,855,173)
2. Combined valuation payroll	74,145,153	76,874,984
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.35%)**	**(4.06%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$18,372,560**	**$18,372,560**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(1,716,009)	(1,716,009)
5. Side account earnings during 2011		493,101	493,101
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$17,148,651**	**$17,148,651**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$17,148,651	$18,372,560
Side Account 2	0	0
Side Account 3	0	0
Total	**$17,148,651**	**$18,372,560**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$17,148,651	$18,372,560
2. Combined valuation payroll	74,145,153	76,874,984
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(1.99%)	(1.97%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

McKenzie Fire And Rescue/2628
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
McKenzie Fire And Rescue/2628

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012

McKenzie Fire And Rescue/2628

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

McKenzie Fire And Rescue -- #2628

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for McKenzie Fire And Rescue to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to McKenzie Fire And Rescue.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for McKenzie Fire And Rescue

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	11.81%	7.10%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(6.53%)	(6.53%)	(6.53%)	(6.53%)	(6.53%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**14.03%**	**9.32%**	**17.34%**	**8.49%**	**11.22%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.62%**	**9.91%**	**17.93%**	**8.98%**	**11.71%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	8.26%	4.32%	12.34%	3.53%	6.24%
July 1, 2013 to June 30, 2015	14.03%	9.32%	17.34%	8.49%	11.22%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

McKenzie Fire And Rescue

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$504,889	$290,631
Allocated pre-SLGRP pooled liability/(surplus)	(64,626)	(46,386)
Transition liability/(surplus)	(240,527)	(243,648)
Allocated pooled OPSRP UAL	5,404	2,802
Side account	0	0
Net unfunded pension actuarial accrued liability	205,140	3,399
Combined valuation payroll	316,713	225,639
Net pension UAL as a percentage of payroll	65%	2%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(6.53%)	(8.90%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$8,205	$8,118
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$48,589	$2,808	5.65%	$53,619	$3,029
Tier 2 General Service	10.42%	19,266	2,008	10.34%	24,017	2,483
Total General Service		**67,855**	**4,816**		**77,636**	**5,512**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	96,634	14,611	15.03%	92,984	13,975
Total Police & Fire		**96,634**	**14,611**		**92,984**	**13,975**
Total		**$164,489**	**$19,427**		**$170,620**	**$19,487**
Employer normal cost rate						
General Service			**7.10%**			**7.10%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**11.81%**			**11.42%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($243,648)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(7.17%)
B. Actual employer payroll	141,661
C. Payment to transition liability/(surplus)	(10,157)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(7.08%)
B. Actual employer payroll	152,264
C. Payment to transition liability/(surplus)	(10,781)
4. Supplemental payment to transition liability	0
5. Interest	(17,817)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($240,527)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(240,527)	(243,648)
2. Combined valuation payroll	316,713	225,639
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(6.53%)**	**(8.90%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	316,713	225,639
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Medford Irrigation District/2592
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Medford Irrigation District/2592

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Medford Irrigation District/2592

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Medford Irrigation District -- #2592

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Medford Irrigation District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Medford Irrigation District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Medford Irrigation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	6.48%	6.48%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(2.73%)	(2.73%)	(2.73%)	(2.73%)	(2.73%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**14.26%**	**14.26%**	**22.87%**	**14.05%**	**16.78%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.85%**	**14.85%**	**23.46%**	**14.54%**	**17.27%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.78%	9.78%	18.75%	9.52%	12.23%
July 1, 2013 to June 30, 2015	14.26%	14.26%	22.87%	14.05%	16.78%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Medford Irrigation District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$695,519	$553,576
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(138,596)	(140,414)
Allocated pooled OPSRP UAL	7,444	5,336
Side account	0	0
Net unfunded pension actuarial accrued liability	564,367	418,498
Combined valuation payroll	436,294	429,784
Net pension UAL as a percentage of payroll	129%	97%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.73%)	(2.69%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$11,302	$15,463
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$233,140	$13,475	5.65%	$228,942	$12,935
Tier 2 General Service	10.42%	41,487	4,323	10.34%	40,913	4,230
Total General Service		**274,627**	**17,798**		**269,855**	**17,165**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$274,627**	**$17,798**		**$269,855**	**$17,165**
Employer normal cost rate						
General Service			**6.48%**			**6.36%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**6.48%**			**6.36%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($140,414)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.60%)
B. Actual employer payroll	217,709
C. Payment to transition liability/(surplus)	(5,660)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.79%)
B. Actual employer payroll	230,240
C. Payment to transition liability/(surplus)	(6,424)
4. Supplemental payment to transition liability	0
5. Interest	(10,266)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($138,596)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(138,596)	(140,414)
2. Combined valuation payroll	436,294	429,784
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.73%)**	**(2.69%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	436,294	429,784
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Metro/2594
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Metro/2594

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Metro/2594

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Metro -- #2594

SEPTEMBER 2012

Secondary Employers

2171 Portland Zoological Society

2807 Friends of the Zoo

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Metro to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Metro.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Metro

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.08%	8.08%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(1.12%)	(1.12%)	(1.12%)	(1.12%)	(1.12%)
Side account rate relief [2]	(2.96%)	(2.96%)	(2.96%)	(2.96%)	(2.96%)
Net pension contribution rate	**12.75%**	**12.75%**	**19.76%**	**10.94%**	**13.67%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.34%**	**13.34%**	**20.35%**	**11.43%**	**14.16%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	8.08%	8.08%	15.77%	6.54%	9.25%
July 1, 2013 to June 30, 2015	12.75%	12.75%	19.76%	10.94%	13.67%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Metro

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$82,921,728	$68,408,751
Allocated pre-SLGRP pooled liability/(surplus)	(10,614,104)	(10,918,275)
Transition liability/(surplus)	(6,779,267)	(6,900,820)
Allocated pooled OPSRP UAL	887,520	659,439
Side account	17,903,994	19,374,487
Net unfunded pension actuarial accrued liability	48,511,883	31,874,608
Combined valuation payroll	52,016,209	53,110,986
Net pension UAL as a percentage of payroll	93%	60%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(1.12%)	(1.07%)
Side account rate relief	(2.96%)	(3.01%)
Allocated pooled RHIA UAL	$1,347,506	$1,910,849
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$16,286,770	$941,375	5.65%	$17,861,452	$1,009,172
Tier 2 General Service	10.42%	16,069,614	1,674,454	10.34%	16,233,777	1,678,573
Total General Service		**32,356,384**	**2,615,829**		**34,095,229**	**2,687,745**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$32,356,384**	**$2,615,829**		**$34,095,229**	**$2,687,745**
Employer normal cost rate						
General Service			**8.08%**			**7.88%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.08%**			**7.88%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($6,900,820)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.21%)
B. Actual employer payroll	26,790,437
C. Payment to transition liability/(surplus)	(324,164)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.08%)
B. Actual employer payroll	27,736,805
C. Payment to transition liability/(surplus)	(299,557)
4. Supplemental payment to transition liability	0
5. Interest	(502,168)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($6,779,267)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(6,779,267)	(6,900,820)
2. Combined valuation payroll	52,016,209	53,110,986
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.12%)**	**(1.07%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$19,374,487**	**$19,374,487**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(1,992,657)	(1,992,657)
5. Side account earnings during 2011		523,164	523,164
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$17,903,994**	**$17,903,994**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$17,903,994	$19,374,487
Side Account 2	0	0
Side Account 3	0	0
Total	**$17,903,994**	**$19,374,487**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$17,903,994	$19,374,487
2. Combined valuation payroll	52,016,209	53,110,986
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(2.96%)	(3.01%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Metropolitan Area Communications Commission/2663
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Metropolitan Area Communications Commission/2663

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Metropolitan Area Communications Commission -- #2663

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Metropolitan Area Communications Commission to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Metropolitan Area Communications Commission.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Metropolitan Area Communications Commission

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	6.53%	6.53%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(3.19%)	(3.19%)	(3.19%)	(3.19%)	(3.19%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**12.09%**	**12.09%**	**20.65%**	**11.83%**	**14.56%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**12.68%**	**12.68%**	**21.24%**	**12.32%**	**15.05%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.69%	9.69%	18.70%	9.47%	12.18%
July 1, 2013 to June 30, 2015	12.09%	12.09%	20.65%	11.83%	14.56%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Metropolitan Area Communications Commission

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$638,713	$1,390,676
Allocated pre-SLGRP pooled liability/(surplus)	(81,756)	(221,957)
Transition liability/(surplus)	(148,504)	(144,636)
Allocated pooled OPSRP UAL	6,836	13,406
Side account	0	0
Net unfunded pension actuarial accrued liability	415,289	1,037,489
Combined valuation payroll	400,660	1,079,689
Net pension UAL as a percentage of payroll	104%	96%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(3.19%)	(1.10%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$10,379	$38,846
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$193,437	$11,181	5.65%	$402,807	$22,759
Tier 2 General Service	10.42%	37,181	3,874	10.34%	77,483	8,012
Total General Service		**230,618**	**15,055**		**480,290**	**30,771**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$230,618**	**$15,055**		**$480,290**	**$30,771**
Employer normal cost rate						
General Service			**6.53%**			**6.41%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**6.53%**			**6.41%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($144,636)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.56%)
B. Actual employer payroll	394,421
C. Payment to transition liability/(surplus)	(6,153)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.14%)
B. Actual employer payroll	85,883
C. Payment to transition liability/(surplus)	(979)
4. Supplemental payment to transition liability	0
5. Interest	(11,000)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($148,504)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(148,504)	(144,636)
2. Combined valuation payroll	400,660	1,079,689
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.19%)**	**(1.10%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	400,660	1,079,689
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

Mid-Columbia Center For Living/2811
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012
Mid-Columbia Center For Living/2811

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012

Mid-Columbia Center For Living/2811

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Mid-Columbia Center For Living -- #2811

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Mid-Columbia Center For Living to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Mid-Columbia Center For Living.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Mid-Columbia Center For Living

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.51%	8.51%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.24%	0.24%	0.24%	0.24%	0.24%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.50%**	**17.50%**	**24.08%**	**15.26%**	**17.99%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.09%**	**18.09%**	**24.67%**	**15.75%**	**18.48%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.52%	12.52%	20.05%	10.82%	13.53%
July 1, 2013 to June 30, 2015	17.50%	17.50%	24.08%	15.26%	17.99%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Mid-Columbia Center For Living

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$6,134,925	$4,848,403
Allocated pre-SLGRP pooled liability/(surplus)	(785,280)	(773,822)
Transition liability/(surplus)	107,348	107,550
Allocated pooled OPSRP UAL	65,663	46,737
Side account	0	0
Net unfunded pension actuarial accrued liability	5,522,656	4,228,868
Combined valuation payroll	3,848,395	3,764,189
Net pension UAL as a percentage of payroll	144%	112%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.24%	0.24%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$99,695	$135,430
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$634,566	$36,678	5.65%	$820,077	$46,334
Tier 2 General Service	10.42%	908,359	94,651	10.34%	835,975	86,440
Total General Service		**1,542,925**	**131,329**		**1,656,052**	**132,774**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$1,542,925**	**$131,329**		**$1,656,052**	**$132,774**
Employer normal cost rate						
General Service			**8.51%**			**8.02%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.51%**			**8.02%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$107,550
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.22%
B. Actual employer payroll	1,890,822
C. Payment to transition liability/(surplus)	4,160
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.21%
B. Actual employer payroll	1,902,043
C. Payment to transition liability/(surplus)	3,994
4. Supplemental payment to transition liability	0
5. Interest	7,952
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$107,348**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	107,348	107,550
2. Combined valuation payroll	3,848,395	3,764,189
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.24%**	**0.24%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	3,848,395	3,764,189
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Mid-Willamette Valley Senior Service Agency/2657
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
Mid-Willamette Valley Senior Service Agency/2657

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Mid-Willamette Valley Senior Service Agency/2657

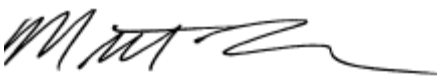
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Mid-Willamette Valley Senior Service Agency -- #2657

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Mid-Willamette Valley Senior Service Agency to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Mid-Willamette Valley Senior Service Agency.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Mid-Willamette Valley Senior Service Agency

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.10%	8.10%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(4.97%)	(4.97%)	(4.97%)	(4.97%)	(4.97%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**13.64%**	**13.64%**	**20.63%**	**11.81%**	**14.54%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.23%**	**14.23%**	**21.22%**	**12.30%**	**15.03%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.78%	9.78%	17.30%	8.07%	10.78%
July 1, 2013 to June 30, 2015	13.64%	13.64%	20.63%	11.81%	14.54%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Mid-Willamette Valley Senior Service Agency

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$13,222,489	$11,099,570
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(4,791,801)	(4,808,416)
Allocated pooled OPSRP UAL	141,522	106,996
Side account	0	0
Net unfunded pension actuarial accrued liability	8,572,210	6,398,150
Combined valuation payroll	8,294,373	8,617,452
Net pension UAL as a percentage of payroll	103%	74%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.97%)	(4.60%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$214,870	$310,042
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$2,713,695	$156,852	5.65%	$2,921,380	$165,058
Tier 2 General Service	10.42%	2,714,790	282,881	10.34%	2,879,161	297,705
Total General Service		**5,428,485**	**439,733**		**5,800,541**	**462,763**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$5,428,485**	**$439,733**		**$5,800,541**	**$462,763**
Employer normal cost rate						
General Service			**8.10%**			**7.98%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.10%**			**7.98%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($4,808,416)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(4.35%)
B. Actual employer payroll	4,312,047
C. Payment to transition liability/(surplus)	(187,574)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.24%)
B. Actual employer payroll	4,339,370
C. Payment to transition liability/(surplus)	(183,989)
4. Supplemental payment to transition liability	0
5. Interest	(354,948)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($4,791,801)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(4,791,801)	(4,808,416)
2. Combined valuation payroll	8,294,373	8,617,452
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.97%)**	**(4.60%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	8,294,373	8,617,452
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Mill City Rural Fire Protection District/2853
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Mill City Rural Fire Protection District/2853

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Mill City Rural Fire Protection District/2853

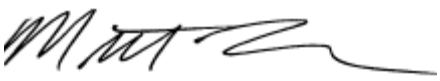
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Mill City Rural Fire Protection District -- #2853

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Mill City Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Mill City Rural Fire Protection District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Mill City Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.12%	7.92%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(10.05%)	(10.05%)	(10.05%)	(10.05%)	(10.05%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.58%**	**8.38%**	**15.58%**	**6.73%**	**9.46%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.17%**	**8.97%**	**16.17%**	**7.22%**	**9.95%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.08%	3.72%	11.08%	2.27%	4.98%
July 1, 2013 to June 30, 2015	15.58%	8.38%	15.58%	6.73%	9.46%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Mill City Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$78,729	$62,821
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(57,727)	(59,019)
Allocated pooled OPSRP UAL	843	606
Side account	0	0
Net unfunded pension actuarial accrued liability	21,845	4,408
Combined valuation payroll	49,386	48,773
Net pension UAL as a percentage of payroll	44%	9%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(10.05%)	(9.97%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,279	$1,755
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	49,386	7,467	15.03%	48,773	7,331
Total Police & Fire		**49,386**	**7,467**		**48,773**	**7,331**
Total		**$49,386**	**$7,467**		**$48,773**	**$7,331**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**15.12%**			**15.03%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($59,019)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(9.14%)
B. Actual employer payroll	26,196
C. Payment to transition liability/(surplus)	(2,394)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(10.04%)
B. Actual employer payroll	31,615
C. Payment to transition liability/(surplus)	(3,174)
4. Supplemental payment to transition liability	0
5. Interest	(4,276)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($57,727)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(57,727)	(59,019)
2. Combined valuation payroll	49,386	48,773
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(10.05%)**	**(9.97%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	49,386	48,773
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Mist-Birkenfeld Rural Fire Protection District/2752
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Mist-Birkenfeld Rural Fire Protection District/2752

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Mist-Birkenfeld Rural Fire Protection District/2752

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Mist-Birkenfeld Rural Fire Protection District -- #2752

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Mist-Birkenfeld Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Mist-Birkenfeld Rural Fire Protection District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Mist-Birkenfeld Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.46%	10.42%	15.06%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(8.23%)	(8.23%)	(8.23%)	(8.23%)	(8.23%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.74%**	**12.70%**	**17.34%**	**8.55%**	**11.28%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.33%**	**13.29%**	**17.93%**	**9.04%**	**11.77%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	13.44%	8.30%	14.19%	4.54%	7.25%
July 1, 2013 to June 30, 2015	16.74%	12.70%	17.34%	8.55%	11.28%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Mist-Birkenfeld Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$298,425	$237,626
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(179,178)	(184,965)
Allocated pooled OPSRP UAL	3,194	2,291
Side account	0	0
Net unfunded pension actuarial accrued liability	122,441	54,952
Combined valuation payroll	187,200	184,487
Net pension UAL as a percentage of payroll	65%	30%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(8.23%)	(8.26%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$4,850	$6,638
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	24,082	2,509	10.34%	22,524	2,329
Total General Service		**24,082**	**2,509**		**22,524**	**2,329**
Tier 1 Police & Fire	15.06%	163,118	24,566	14.74%	161,963	23,873
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**163,118**	**24,566**		**161,963**	**23,873**
Total		**$187,200**	**$27,075**		**$184,487**	**$26,202**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.06%**			**14.74%**
Aggregate (Default)			**14.46%**			**14.20%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($184,965)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(13.23%)
B. Actual employer payroll	83,259
C. Payment to transition liability/(surplus)	(10,990)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(7.77%)
B. Actual employer payroll	103,831
C. Payment to transition liability/(surplus)	(8,069)
4. Supplemental payment to transition liability	0
5. Interest	(13,272)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($179,178)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(179,178)	(184,965)
2. Combined valuation payroll	187,200	184,487
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(8.23%)**	**(8.26%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	187,200	184,487
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Mohawk Valley Rural Fire District/2758
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Mohawk Valley Rural Fire District/2758

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Mohawk Valley Rural Fire District/2758

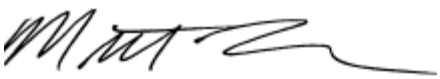
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Mohawk Valley Rural Fire District -- #2758

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Mohawk Valley Rural Fire District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Mohawk Valley Rural Fire District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Mohawk Valley Rural Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.06%	7.92%	15.06%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(7.64%)	(7.64%)	(7.64%)	(7.64%)	(7.64%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.17%**	**9.03%**	**16.17%**	**7.38%**	**10.11%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.76%**	**9.62%**	**16.76%**	**7.87%**	**10.60%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.30%	3.10%	11.30%	1.65%	4.36%
July 1, 2013 to June 30, 2015	16.17%	9.03%	16.17%	7.38%	10.11%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Mohawk Valley Rural Fire District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$162,921	$121,002
Allocated pre-SLGRP pooled liability/(surplus)	(20,854)	(19,312)
Transition liability/(surplus)	(90,784)	(95,204)
Allocated pooled OPSRP UAL	1,744	1,166
Side account	0	0
Net unfunded pension actuarial accrued liability	53,027	7,652
Combined valuation payroll	102,199	93,943
Net pension UAL as a percentage of payroll	52%	8%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(7.64%)	(8.35%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,648	$3,380
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	53,872	8,113	14.74%	50,221	7,403
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**53,872**	**8,113**		**50,221**	**7,403**
Total		**$53,872**	**$8,113**		**$50,221**	**$7,403**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.06%**			**14.74%**
Aggregate (Default)			**15.06%**			**14.74%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($95,204)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(8.12%)
B. Actual employer payroll	62,922
C. Payment to transition liability/(surplus)	(5,109)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(8.96%)
B. Actual employer payroll	67,361
C. Payment to transition liability/(surplus)	(6,036)
4. Supplemental payment to transition liability	0
5. Interest	(6,725)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($90,784)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(90,784)	(95,204)
2. Combined valuation payroll	102,199	93,943
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(7.64%)**	**(8.35%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	102,199	93,943
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

Molalla Rural Fire Protection District #73/2568
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Molalla Rural Fire Protection District #73/2568

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Molalla Rural Fire Protection District #73/2568

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Molalla Rural Fire Protection District #73 -- #2568

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Molalla Rural Fire Protection District #73 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Molalla Rural Fire Protection District #73.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Molalla Rural Fire Protection District #73

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.10%	7.92%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	3.20%	3.20%	3.20%	3.20%	3.20%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**28.81%**	**21.63%**	**28.81%**	**19.98%**	**22.71%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**29.40%**	**22.22%**	**29.40%**	**20.47%**	**23.20%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	24.28%	16.65%	24.28%	15.20%	17.91%
July 1, 2013 to June 30, 2015	28.81%	21.63%	28.81%	19.98%	22.71%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Molalla Rural Fire Protection District #73

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,039,073	$809,398
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	242,368	224,799
Allocated pooled OPSRP UAL	11,121	7,802
Side account	0	0
Net unfunded pension actuarial accrued liability	1,292,562	1,041,999
Combined valuation payroll	651,803	628,398
Net pension UAL as a percentage of payroll	198%	166%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	3.20%	2.95%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$16,885	$22,609
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	180,162	27,132	14.74%	183,281	27,016
Tier 2 Police & Fire	15.12%	413,149	62,468	15.03%	401,297	60,315
Total Police & Fire		**593,311**	**89,600**		**584,578**	**87,331**
Total		**$593,311**	**$89,600**		**$584,578**	**$87,331**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.10%**			**14.94%**
Aggregate (Default)			**15.10%**			**14.94%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$224,799
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.90%)
B. Actual employer payroll	299,119
C. Payment to transition liability/(surplus)	(8,674)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	2.89%
B. Actual employer payroll	313,444
C. Payment to transition liability/(surplus)	9,058
4. Supplemental payment to transition liability	0
5. Interest	17,953
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$242,368**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	242,368	224,799
2. Combined valuation payroll	651,803	628,398
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**3.20%**	**2.95%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	651,803	628,398
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Monroe Fire Department/2555
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Monroe Fire Department/2555

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Monroe Fire Department/2555

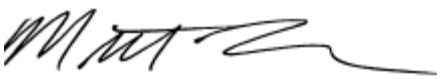
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Monroe Fire Department -- #2555

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Monroe Fire Department to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Monroe Fire Department.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Monroe Fire Department

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.12%	7.92%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(8.91%)	(8.91%)	(8.91%)	(8.91%)	(8.91%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.72%**	**9.52%**	**16.72%**	**7.87%**	**10.60%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.31%**	**10.11%**	**17.31%**	**8.36%**	**11.09%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.73%	5.37%	12.73%	3.92%	6.63%
July 1, 2013 to June 30, 2015	16.72%	9.52%	16.72%	7.87%	10.60%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Monroe Fire Department

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$93,326	$74,405
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(60,664)	(60,695)
Allocated pooled OPSRP UAL	999	717
Side account	0	0
Net unfunded pension actuarial accrued liability	33,661	14,427
Combined valuation payroll	58,543	57,766
Net pension UAL as a percentage of payroll	58%	25%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(8.91%)	(8.66%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,517	$2,078
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	58,543	8,852	15.03%	57,766	8,682
Total Police & Fire		**58,543**	**8,852**		**57,766**	**8,682**
Total		**$58,543**	**$8,852**		**$57,766**	**$8,682**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**15.12%**			**15.03%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($60,695)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(7.80%)
B. Actual employer payroll	27,521
C. Payment to transition liability/(surplus)	(2,147)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(8.39%)
B. Actual employer payroll	28,346
C. Payment to transition liability/(surplus)	(2,378)
4. Supplemental payment to transition liability	0
5. Interest	(4,494)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($60,664)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(60,664)	(60,695)
2. Combined valuation payroll	58,543	57,766
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(8.91%)**	**(8.66%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	58,543	57,766
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Mt Hood Community College/2905
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012
Mt Hood Community College/2905

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Mt Hood Community College/2905

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Mt Hood Community College -- #2905

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Mt Hood Community College to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Mt Hood Community College.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Mt Hood Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.07%	8.07%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	1.86%	1.86%	1.86%	1.86%	1.86%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(11.77%)	(11.77%)	(11.77%)	(11.77%)	(11.77%)
Net pension contribution rate	**8.67%**	**8.67%**	**15.69%**	**6.87%**	**9.60%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**9.26%**	**9.26%**	**16.28%**	**7.36%**	**10.09%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	5.03%	5.03%	12.69%	3.46%	6.17%
July 1, 2013 to June 30, 2015	8.67%	8.67%	15.69%	6.87%	9.60%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Mt Hood Community College

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$60,929,132	$52,264,315
Allocated pre-SLGRP pooled liability/(surplus)	8,280,818	8,898,925
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	652,131	503,811
Side account	52,313,673	55,453,322
Net unfunded pension actuarial accrued liability	17,548,408	6,213,729
Combined valuation payroll	38,220,410	40,576,816
Net pension UAL as a percentage of payroll	46%	15%
Pre-SLGRP pooled rate	1.86%	1.81%
Transition rate	0.00%	0.00%
Side account rate relief	(11.77%)	(11.26%)
Allocated pooled RHIA UAL	$990,119	$1,459,890
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$126,008,735	$7,283,305	5.65%	$135,189,476	$7,638,205
Tier 2 General Service	10.42%	123,113,364	12,828,413	10.34%	125,634,641	12,990,622
Total General Service		**249,122,099**	**20,111,718**		**260,824,117**	**20,628,827**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$249,122,099**	**$20,111,718**		**$260,824,117**	**$20,628,827**
Employer normal cost rate						
General Service			**8.07%**			**7.91%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.07%**			**7.91%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	403,407,903	413,952,327
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$55,453,322**	**$55,453,322**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(4,560,160)	(4,560,160)
5. Side account earnings during 2011		1,421,511	1,421,511
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$52,313,673**	**$52,313,673**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$52,313,673	$55,453,322
Side Account 2	0	0
Side Account 3	0	0
Total	**$52,313,673**	**$55,453,322**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$52,313,673	$55,453,322
2. Combined valuation payroll	38,220,410	40,576,816
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(11.77%)	(11.26%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Mulino Water District #23/2778
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Mulino Water District #23/2778

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Mulino Water District #23/2778

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Mulino Water District #23 -- #2778

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Mulino Water District #23 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Mulino Water District #23.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Mulino Water District #23

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.16%	0.16%	0.16%	0.16%	0.16%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.33%**	**19.33%**	**24.00%**	**15.18%**	**17.91%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.92%**	**19.92%**	**24.59%**	**15.67%**	**18.40%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.58%	14.58%	20.05%	10.82%	13.53%
July 1, 2013 to June 30, 2015	19.33%	19.33%	24.00%	15.18%	17.91%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Mulino Water District #23

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$108,297	$67,484
Allocated pre-SLGRP pooled liability/(surplus)	(13,862)	(10,771)
Transition liability/(surplus)	1,250	1,290
Allocated pooled OPSRP UAL	1,159	651
Side account	0	0
Net unfunded pension actuarial accrued liability	96,844	58,654
Combined valuation payroll	67,934	52,393
Net pension UAL as a percentage of payroll	143%	112%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.16%	0.20%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,760	$1,885
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	67,934	7,079	10.34%	52,393	5,417
Total General Service		**67,934**	**7,079**		**52,393**	**5,417**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$67,934**	**$7,079**		**$52,393**	**$5,417**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$1,290
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.20%
B. Actual employer payroll	26,647
C. Payment to transition liability/(surplus)	53
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.21%
B. Actual employer payroll	38,114
C. Payment to transition liability/(surplus)	80
4. Supplemental payment to transition liability	0
5. Interest	93
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$1,250**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	1,250	1,290
2. Combined valuation payroll	67,934	52,393
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.16%**	**0.20%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	67,934	52,393
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Multnomah County Rural Fire Protection District #14/2806
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Multnomah County Rural Fire Protection District #14/2806

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Multnomah County Rural Fire Protection District #14/2806

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Multnomah County Rural Fire Protection District #14 -- #2806

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Multnomah County Rural Fire Protection District #14 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Multnomah County Rural Fire Protection District #14.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Multnomah County Rural Fire Protection District #14

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.11%)	(0.11%)	(0.11%)	(0.11%)	(0.11%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.06%**	**19.06%**	**23.73%**	**14.91%**	**17.64%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.65%**	**19.65%**	**24.32%**	**15.40%**	**18.13%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.26%	14.26%	19.73%	10.50%	13.21%
July 1, 2013 to June 30, 2015	19.06%	19.06%	23.73%	14.91%	17.64%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Multnomah County Rural Fire Protection District #14

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$71,893	$55,877
Allocated pre-SLGRP pooled liability/(surplus)	(9,202)	(8,918)
Transition liability/(surplus)	(558)	(565)
Allocated pooled OPSRP UAL	769	539
Side account	0	0
Net unfunded pension actuarial accrued liability	62,902	46,933
Combined valuation payroll	45,098	43,382
Net pension UAL as a percentage of payroll	139%	108%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.11%)	(0.11%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,168	$1,561
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	45,098	4,699	10.34%	43,382	4,486
Total General Service		**45,098**	**4,699**		**43,382**	**4,486**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$45,098**	**$4,699**		**$43,382**	**$4,486**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($565)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.11%)
B. Actual employer payroll	21,345
C. Payment to transition liability/(surplus)	(23)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.11%)
B. Actual employer payroll	21,986
C. Payment to transition liability/(surplus)	(25)
4. Supplemental payment to transition liability	0
5. Interest	(41)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($558)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(558)	(565)
2. Combined valuation payroll	45,098	43,382
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.11%)**	**(0.11%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	45,098	43,382
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

Multnomah County/2038
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Multnomah County/2038

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012

Multnomah County/2038

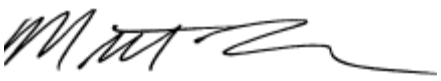
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



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Consulting Actuary

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Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Multnomah County -- #2038

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Multnomah County to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Multnomah County.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Multnomah County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.88%	8.01%	15.08%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(2.96%)	(2.96%)	(2.96%)	(2.96%)	(2.96%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.67%**	**13.80%**	**20.87%**	**12.06%**	**14.79%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.26%**	**14.39%**	**21.46%**	**12.55%**	**15.28%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.26%	9.27%	17.11%	7.76%	10.47%
July 1, 2013 to June 30, 2015	15.67%	13.80%	20.87%	12.06%	14.79%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Multnomah County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$437,382,026	$356,132,222
Allocated pre-SLGRP pooled liability/(surplus)	(55,985,549)	(56,839,945)
Transition liability/(surplus)	(94,261,953)	(95,364,078)
Allocated pooled OPSRP UAL	4,681,346	3,433,002
Side account	0	0
Net unfunded pension actuarial accrued liability	291,815,870	207,361,201
Combined valuation payroll	274,366,627	276,492,894
Net pension UAL as a percentage of payroll	106%	75%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(2.96%)	(2.84%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$7,107,606	$9,947,777
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$75,411,844	$4,358,805	5.65%	$82,868,704	$4,682,082
Tier 2 General Service	10.42%	69,898,854	7,283,461	10.34%	70,673,400	7,307,630
Total General Service		**145,310,698**	**11,642,266**		**153,542,104**	**11,989,712**
Tier 1 Police & Fire	15.06%	32,109,172	4,835,641	14.74%	34,390,708	5,069,190
Tier 2 Police & Fire	15.12%	19,954,494	3,017,119	15.03%	19,810,862	2,977,573
Total Police & Fire		**52,063,666**	**7,852,760**		**54,201,570**	**8,046,763**
Total		**$197,374,364**	**$19,495,026**		**$207,743,674**	**$20,036,475**
Employer normal cost rate						
General Service			**8.01%**			**7.81%**
Police & Fire			**15.08%**			**14.85%**
Aggregate (Default)			**9.88%**			**9.64%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($95,364,078)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.89%)
B. Actual employer payroll	139,616,420
C. Payment to transition liability/(surplus)	(4,034,915)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.85%)
B. Actual employer payroll	142,090,433
C. Payment to transition liability/(surplus)	(4,049,577)
4. Supplemental payment to transition liability	0
5. Interest	(6,982,367)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($94,261,953)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(94,261,953)	(95,364,078)
2. Combined valuation payroll	274,366,627	276,492,894
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.96%)**	**(2.84%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	274,366,627	276,492,894
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Multnomah Drainage/2508
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Multnomah Drainage/2508

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Multnomah Drainage/2508

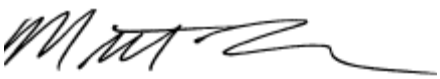
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Multnomah Drainage -- #2508

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Multnomah Drainage to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Multnomah Drainage.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Multnomah Drainage

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.11%	8.11%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	3.68%	3.68%	3.68%	3.68%	3.68%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**20.54%**	**20.54%**	**27.52%**	**18.70%**	**21.43%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**21.13%**	**21.13%**	**28.11%**	**19.19%**	**21.92%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	16.08%	16.08%	23.21%	13.98%	16.69%
July 1, 2013 to June 30, 2015	20.54%	20.54%	27.52%	18.70%	21.43%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Multnomah Drainage

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,201,260	$1,142,540
Allocated pre-SLGRP pooled liability/(surplus)	(153,763)	(182,353)
Transition liability/(surplus)	322,537	323,365
Allocated pooled OPSRP UAL	12,857	11,014
Side account	0	0
Net unfunded pension actuarial accrued liability	1,382,891	1,294,566
Combined valuation payroll	753,542	887,042
Net pension UAL as a percentage of payroll	184%	146%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	3.68%	3.00%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$19,521	$31,914
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$212,234	$12,267	5.65%	$257,804	$14,566
Tier 2 General Service	10.42%	213,221	22,218	10.34%	371,361	38,399
Total General Service		**425,455**	**34,485**		**629,165**	**52,965**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$425,455**	**$34,485**		**$629,165**	**$52,965**
Employer normal cost rate						
General Service			**8.11%**			**8.42%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.11%**			**8.42%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$323,365
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	2.88%
B. Actual employer payroll	407,900
C. Payment to transition liability/(surplus)	11,748
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	3.37%
B. Actual employer payroll	384,930
C. Payment to transition liability/(surplus)	12,972
4. Supplemental payment to transition liability	0
5. Interest	23,892
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$322,537**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	322,537	323,365
2. Combined valuation payroll	753,542	887,042
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**3.68%**	**3.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	753,542	887,042
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Nehalem Bay Fire & Rescue/2869
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Nehalem Bay Fire & Rescue/2869

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012

Nehalem Bay Fire & Rescue/2869

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Nehalem Bay Fire & Rescue -- #2869

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Nehalem Bay Fire & Rescue to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Nehalem Bay Fire & Rescue.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Nehalem Bay Fire & Rescue

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.09%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**25.60%**	**18.43%**	**25.60%**	**16.78%**	**19.51%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**26.19%**	**19.02%**	**26.19%**	**17.27%**	**20.00%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	21.66%	13.76%	21.66%	12.31%	15.02%
July 1, 2013 to June 30, 2015	25.60%	18.43%	25.60%	16.78%	19.51%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Nehalem Bay Fire & Rescue

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$257,430	$203,127
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	2,755	1,958
Side account	0	0
Net unfunded pension actuarial accrued liability	260,185	205,085
Combined valuation payroll	161,484	157,703
Net pension UAL as a percentage of payroll	161%	130%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	0.00%	0.00%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$4,183	$5,674
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	73,064	11,003	14.74%	73,113	10,777
Tier 2 Police & Fire	15.12%	55,538	8,397	15.03%	53,678	8,068
Total Police & Fire		**128,602**	**19,400**		**126,791**	**18,845**
Total		**$128,602**	**$19,400**		**$126,791**	**$18,845**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.09%**			**14.86%**
Aggregate (Default)			**15.09%**			**14.86%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	161,484	157,703
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	161,484	157,703
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Nehalem Bay Health District/2780
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Nehalem Bay Health District/2780

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Nehalem Bay Health District/2780

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Nehalem Bay Health District -- #2780

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Nehalem Bay Health District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Nehalem Bay Health District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Nehalem Bay Health District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.15%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(1.55%)	(1.55%)	(1.55%)	(1.55%)	(1.55%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.35%**	**15.12%**	**22.29%**	**13.47%**	**16.20%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.94%**	**15.71%**	**22.88%**	**13.96%**	**16.69%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	13.05%	13.05%	18.52%	9.29%	12.00%
July 1, 2013 to June 30, 2015	16.35%	15.12%	22.29%	13.47%	16.20%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Nehalem Bay Health District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$123,797	$72,369
Allocated pre-SLGRP pooled liability/(surplus)	(15,846)	(11,550)
Transition liability/(surplus)	(13,984)	(14,287)
Allocated pooled OPSRP UAL	1,325	698
Side account	0	0
Net unfunded pension actuarial accrued liability	95,292	47,230
Combined valuation payroll	77,657	56,186
Net pension UAL as a percentage of payroll	123%	84%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(1.55%)	(2.10%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,012	$2,021
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$0**	**$0**		**$0**	**$0**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.15%**			**8.96%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($14,287)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.14%)
B. Actual employer payroll	45,898
C. Payment to transition liability/(surplus)	(982)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.32%)
B. Actual employer payroll	27,060
C. Payment to transition liability/(surplus)	(357)
4. Supplemental payment to transition liability	0
5. Interest	(1,036)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($13,984)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(13,984)	(14,287)
2. Combined valuation payroll	77,657	56,186
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.55%)**	**(2.10%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	77,657	56,186
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Nesika Beach-Ophir Water District/2858
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Nesika Beach-Ophir Water District/2858

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Nesika Beach-Ophir Water District/2858

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Nesika Beach-Ophir Water District -- #2858

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Nesika Beach-Ophir Water District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Nesika Beach-Ophir Water District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Nesika Beach-Ophir Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.15%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(4.28%)	(4.28%)	(4.28%)	(4.28%)	(4.28%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.38%**	**14.15%**	**21.32%**	**12.50%**	**15.23%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.97%**	**14.74%**	**21.91%**	**12.99%**	**15.72%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.41%	9.10%	16.88%	7.65%	10.36%
July 1, 2013 to June 30, 2015	15.38%	14.15%	21.32%	12.50%	15.23%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Nesika Beach-Ophir Water District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$114,132	$122,894
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(35,607)	(36,675)
Allocated pooled OPSRP UAL	1,222	1,185
Side account	0	0
Net unfunded pension actuarial accrued liability	79,747	87,404
Combined valuation payroll	71,594	95,412
Net pension UAL as a percentage of payroll	111%	92%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.28%)	(3.17%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,855	$3,433
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$0**	**$0**		**$0**	**$0**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.15%**			**8.96%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($36,675)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(4.94%)
B. Actual employer payroll	43,266
C. Payment to transition liability/(surplus)	(2,137)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.66%)
B. Actual employer payroll	33,666
C. Payment to transition liability/(surplus)	(1,569)
4. Supplemental payment to transition liability	0
5. Interest	(2,638)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($35,607)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(35,607)	(36,675)
2. Combined valuation payroll	71,594	95,412
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.28%)**	**(3.17%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	71,594	95,412
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

Neskowin Water District/2716
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Neskowin Water District/2716

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Neskowin Water District/2716

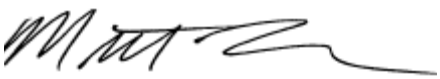
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



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Consulting Actuary

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The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Neskowin Water District -- #2716

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Neskowin Water District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Neskowin Water District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Neskowin Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.78%	5.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.02%)	(0.02%)	(0.02%)	(0.02%)	(0.02%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**14.51%**	**14.51%**	**23.82%**	**15.00%**	**17.73%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.10%**	**15.10%**	**24.41%**	**15.49%**	**18.22%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.25%	10.25%	19.81%	10.58%	13.29%
July 1, 2013 to June 30, 2015	14.51%	14.51%	23.82%	15.00%	17.73%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Neskowin Water District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$301,665	$246,272
Allocated pre-SLGRP pooled liability/(surplus)	(38,614)	(39,306)
Transition liability/(surplus)	(503)	(511)
Allocated pooled OPSRP UAL	3,229	2,374
Side account	0	0
Net unfunded pension actuarial accrued liability	265,777	208,829
Combined valuation payroll	189,232	191,200
Net pension UAL as a percentage of payroll	140%	109%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.02%)	(0.02%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$4,902	$6,879
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$104,825	$6,059	5.65%	$109,590	$6,192
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**104,825**	**6,059**		**109,590**	**6,192**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$104,825**	**$6,059**		**$109,590**	**$6,192**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.78%**			**5.65%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($511)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.02%)
B. Actual employer payroll	89,696
C. Payment to transition liability/(surplus)	(18)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.03%)
B. Actual employer payroll	90,911
C. Payment to transition liability/(surplus)	(27)
4. Supplemental payment to transition liability	0
5. Interest	(37)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($503)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(503)	(511)
2. Combined valuation payroll	189,232	191,200
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.02%)**	**(0.02%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	189,232	191,200
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Nestucca Rural Fire District/2674
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Nestucca Rural Fire District/2674

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Nestucca Rural Fire District/2674

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Nestucca Rural Fire District -- #2674

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Nestucca Rural Fire District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Nestucca Rural Fire District.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Nestucca Rural Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.12%	7.92%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(7.01%)	(7.01%)	(7.01%)	(7.01%)	(7.01%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.86%**	**9.66%**	**16.86%**	**8.01%**	**10.74%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.45%**	**10.25%**	**17.45%**	**8.50%**	**11.23%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.45%	5.09%	12.45%	3.64%	6.35%
July 1, 2013 to June 30, 2015	16.86%	9.66%	16.86%	8.01%	10.74%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Nestucca Rural Fire District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$362,690	$299,199
Allocated pre-SLGRP pooled liability/(surplus)	(46,425)	(47,753)
Transition liability/(surplus)	(185,464)	(186,052)
Allocated pooled OPSRP UAL	3,882	2,884
Side account	0	0
Net unfunded pension actuarial accrued liability	134,683	68,278
Combined valuation payroll	227,513	232,291
Net pension UAL as a percentage of payroll	59%	29%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(7.01%)	(6.60%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$5,894	$8,357
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	56,005	8,468	15.03%	61,547	9,251
Total Police & Fire		**56,005**	**8,468**		**61,547**	**9,251**
Total		**$56,005**	**$8,468**		**$61,547**	**$9,251**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**15.12%**			**15.03%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($186,052)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(6.40%)
B. Actual employer payroll	107,927
C. Payment to transition liability/(surplus)	(6,907)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(6.97%)
B. Actual employer payroll	106,445
C. Payment to transition liability/(surplus)	(7,419)
4. Supplemental payment to transition liability	0
5. Interest	(13,738)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($185,464)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(185,464)	(186,052)
2. Combined valuation payroll	227,513	232,291
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(7.01%)**	**(6.60%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	227,513	232,291
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Netarts Water District/2818
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Netarts Water District/2818

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Netarts Water District/2818

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Netarts Water District -- #2818

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Netarts Water District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Netarts Water District.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Netarts Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(2.03%)	(2.03%)	(2.03%)	(2.03%)	(2.03%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.14%**	**17.14%**	**21.81%**	**12.99%**	**15.72%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.73%**	**17.73%**	**22.40%**	**13.48%**	**16.21%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.45%	12.45%	17.92%	8.69%	11.40%
July 1, 2013 to June 30, 2015	17.14%	17.14%	21.81%	12.99%	15.72%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Netarts Water District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$189,208	$153,945
Allocated pre-SLGRP pooled liability/(surplus)	(24,219)	(24,570)
Transition liability/(surplus)	(28,059)	(28,121)
Allocated pooled OPSRP UAL	2,025	1,484
Side account	0	0
Net unfunded pension actuarial accrued liability	138,955	102,738
Combined valuation payroll	118,689	119,519
Net pension UAL as a percentage of payroll	117%	86%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(2.03%)	(1.94%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$3,075	$4,300
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	118,689	12,367	10.34%	119,519	12,358
Total General Service		**118,689**	**12,367**		**119,519**	**12,358**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$118,689**	**$12,367**		**$119,519**	**$12,358**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($28,121)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.85%)
B. Actual employer payroll	57,305
C. Payment to transition liability/(surplus)	(1,060)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.92%)
B. Actual employer payroll	56,242
C. Payment to transition liability/(surplus)	(1,080)
4. Supplemental payment to transition liability	0
5. Interest	(2,078)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($28,059)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(28,059)	(28,121)
2. Combined valuation payroll	118,689	119,519
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.03%)**	**(1.94%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	118,689	119,519
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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503 227 0634

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Netarts-Oceanside Rural Fire Protection District/2830
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Netarts-Oceanside Rural Fire Protection District/2830

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Netarts-Oceanside Rural Fire Protection District/2830

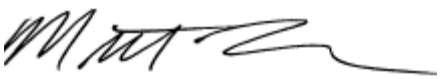
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Netarts-Oceanside Rural Fire Protection District -- #2830

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Netarts-Oceanside Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Netarts-Oceanside Rural Fire Protection District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Netarts-Oceanside Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.12%	7.92%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.37%)	(0.37%)	(0.37%)	(0.37%)	(0.37%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**23.50%**	**16.30%**	**23.50%**	**14.65%**	**17.38%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**24.09%**	**16.89%**	**24.09%**	**15.14%**	**17.87%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	19.06%	11.70%	19.06%	10.25%	12.96%
July 1, 2013 to June 30, 2015	23.50%	16.30%	23.50%	14.65%	17.38%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Netarts-Oceanside Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$225,510	$165,552
Allocated pre-SLGRP pooled liability/(surplus)	(28,866)	(26,423)
Transition liability/(surplus)	(6,129)	(6,145)
Allocated pooled OPSRP UAL	2,414	1,596
Side account	0	0
Net unfunded pension actuarial accrued liability	192,929	134,580
Combined valuation payroll	141,461	128,531
Net pension UAL as a percentage of payroll	136%	105%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.37%)	(0.39%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$3,665	$4,624
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	100,088	15,133	15.03%	96,820	14,552
Total Police & Fire		**100,088**	**15,133**		**96,820**	**14,552**
Total		**$100,088**	**$15,133**		**$96,820**	**$14,552**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**15.12%**			**15.03%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($6,145)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.34%)
B. Actual employer payroll	65,369
C. Payment to transition liability/(surplus)	(222)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.36%)
B. Actual employer payroll	68,637
C. Payment to transition liability/(surplus)	(248)
4. Supplemental payment to transition liability	0
5. Interest	(454)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($6,129)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(6,129)	(6,145)
2. Combined valuation payroll	141,461	128,531
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.37%)**	**(0.39%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	141,461	128,531
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Netarts-Oceanside Sanitary District/2604
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Netarts-Oceanside Sanitary District/2604

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Netarts-Oceanside Sanitary District/2604

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Netarts-Oceanside Sanitary District -- #2604

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Netarts-Oceanside Sanitary District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Netarts-Oceanside Sanitary District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Netarts-Oceanside Sanitary District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.01%	9.01%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(9.18%)	(9.18%)	(9.18%)	(9.18%)	(9.18%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**10.34%**	**10.34%**	**16.42%**	**7.60%**	**10.33%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**10.93%**	**10.93%**	**17.01%**	**8.09%**	**10.82%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	6.65%	6.65%	13.35%	4.12%	6.83%
July 1, 2013 to June 30, 2015	10.34%	10.34%	16.42%	7.60%	10.33%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Netarts-Oceanside Sanitary District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$472,543	$418,503
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(316,524)	(320,044)
Allocated pooled OPSRP UAL	5,058	4,034
Side account	0	0
Net unfunded pension actuarial accrued liability	161,077	102,493
Combined valuation payroll	296,423	324,916
Net pension UAL as a percentage of payroll	54%	32%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(9.18%)	(8.12%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$7,679	$11,690
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$50,035	$2,892	5.65%	$47,132	$2,663
Tier 2 General Service	10.42%	114,924	11,975	10.34%	109,707	11,344
Total General Service		**164,959**	**14,867**		**156,839**	**14,007**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$164,959**	**$14,867**		**$156,839**	**$14,007**
Employer normal cost rate						
General Service			**9.01%**			**8.93%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.01%**			**8.93%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($320,044)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(9.86%)
B. Actual employer payroll	154,275
C. Payment to transition liability/(surplus)	(15,212)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(8.19%)
B. Actual employer payroll	143,526
C. Payment to transition liability/(surplus)	(11,754)
4. Supplemental payment to transition liability	0
5. Interest	(23,446)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($316,524)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(316,524)	(320,044)
2. Combined valuation payroll	296,423	324,916
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(9.18%)**	**(8.12%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	296,423	324,916
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

NORCOM/2837
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
NORCOM/2837

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012
NORCOM/2837

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

NORCOM -- #2837

SEPTEMBER 2012

Secondary Employers

2775 Silver Falls 9-1-1

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for NORCOM to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to NORCOM.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for NORCOM

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.42%	8.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(6.73%)	(6.73%)	(6.73%)	(6.73%)	(6.73%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**12.20%**	**12.20%**	**18.87%**	**10.05%**	**12.78%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**12.79%**	**12.79%**	**19.46%**	**10.54%**	**13.27%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	7.59%	7.59%	14.76%	5.53%	8.24%
July 1, 2013 to June 30, 2015	12.20%	12.20%	18.87%	10.05%	12.78%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

NORCOM

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,415,041	$1,090,662
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(694,823)	(715,554)
Allocated pooled OPSRP UAL	15,145	10,514
Side account	0	0
Net unfunded pension actuarial accrued liability	735,363	385,622
Combined valuation payroll	887,645	846,765
Net pension UAL as a percentage of payroll	83%	46%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(6.73%)	(6.96%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$22,995	$30,465
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$154,107	$8,907	5.65%	$134,567	$7,603
Tier 2 General Service	10.42%	203,701	21,226	10.34%	275,796	28,517
Total General Service		**357,808**	**30,133**		**410,363**	**36,120**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$357,808**	**$30,133**		**$410,363**	**$36,120**
Employer normal cost rate						
General Service			**8.42%**			**8.80%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.42%**			**8.80%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($715,554)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(10.33%)
B. Actual employer payroll	411,330
C. Payment to transition liability/(surplus)	(42,956)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(6.78%)
B. Actual employer payroll	431,318
C. Payment to transition liability/(surplus)	(29,243)
4. Supplemental payment to transition liability	0
5. Interest	(51,468)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($694,823)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(694,823)	(715,554)
2. Combined valuation payroll	887,645	846,765
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(6.73%)**	**(6.96%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	887,645	846,765
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

North Bend/Coos-Curry Housing Authority/2781
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
North Bend/Coos-Curry Housing Authority/2781

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

North Bend/Coos-Curry Housing Authority/2781

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

North Bend/Coos-Curry Housing Authority -- #2781

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for North Bend/Coos-Curry Housing Authority to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to North Bend/Coos-Curry Housing Authority.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for North Bend/Coos-Curry Housing Authority

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.39%	7.39%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	14.67%	14.67%	14.67%	14.67%	14.67%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**30.81%**	**30.81%**	**38.51%**	**29.69%**	**32.42%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**31.40%**	**31.40%**	**39.10%**	**30.18%**	**32.91%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	27.30%	27.30%	34.77%	25.54%	28.25%
July 1, 2013 to June 30, 2015	30.81%	30.81%	38.51%	29.69%	32.42%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

North Bend/Coos-Curry Housing Authority

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,054,442	$900,890
Allocated pre-SLGRP pooled liability/(surplus)	(134,970)	(143,785)
Transition liability/(surplus)	1,128,049	1,152,145
Allocated pooled OPSRP UAL	11,286	8,684
Side account	0	0
Net unfunded pension actuarial accrued liability	2,058,807	1,917,934
Combined valuation payroll	661,444	699,430
Net pension UAL as a percentage of payroll	311%	274%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	14.67%	13.58%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$17,135	$25,164
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$141,095	$8,155	5.65%	$140,018	$7,911
Tier 2 General Service	10.42%	74,764	7,790	10.34%	102,584	10,607
Total General Service		**215,859**	**15,945**		**242,602**	**18,518**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$215,859**	**$15,945**		**$242,602**	**$18,518**
Employer normal cost rate						
General Service			**7.39%**			**7.63%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.39%**			**7.63%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$1,152,145
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	15.65%
B. Actual employer payroll	370,015
C. Payment to transition liability/(surplus)	57,907
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	14.93%
B. Actual employer payroll	333,207
C. Payment to transition liability/(surplus)	49,748
4. Supplemental payment to transition liability	0
5. Interest	83,559
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$1,128,049**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	1,128,049	1,152,145
2. Combined valuation payroll	661,444	699,430
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**14.67%**	**13.58%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	661,444	699,430
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

North Douglas County Fire and EMS/2638
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
North Douglas County Fire and EMS/2638

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

North Douglas County Fire and EMS/2638

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

North Douglas County Fire and EMS -- #2638

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for North Douglas County Fire and EMS to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to North Douglas County Fire and EMS.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for North Douglas County Fire and EMS

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.10%	10.36%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(3.94%)	(3.94%)	(3.94%)	(3.94%)	(3.94%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**21.67%**	**16.93%**	**21.69%**	**12.84%**	**15.57%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**22.26%**	**17.52%**	**22.28%**	**13.33%**	**16.06%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.36%	9.43%	14.36%	5.36%	8.07%
July 1, 2013 to June 30, 2015	21.67%	16.93%	21.69%	12.84%	15.57%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

North Douglas County Fire and EMS

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$522,887	$249,361
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(150,277)	(158,167)
Allocated pooled OPSRP UAL	5,597	2,404
Side account	0	0
Net unfunded pension actuarial accrued liability	378,207	93,598
Combined valuation payroll	328,003	193,598
Net pension UAL as a percentage of payroll	115%	48%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.94%)	(6.73%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$8,497	$6,965
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	309	32	10.34%	63	7
Total General Service		**309**	**32**		**63**	**7**
Tier 1 Police & Fire	15.06%	5,479	825	14.74%	21,947	3,235
Tier 2 Police & Fire	15.12%	73,753	11,151	15.03%	71,650	10,769
Total Police & Fire		**79,232**	**11,976**		**93,597**	**14,004**
Total		**$79,541**	**$12,008**		**$93,660**	**$14,011**
Employer normal cost rate						
General Service			**10.36%**			**11.11%**
Police & Fire			**15.12%**			**14.96%**
Aggregate (Default)			**15.10%**			**14.96%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($158,167)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(13.06%)
B. Actual employer payroll	99,639
C. Payment to transition liability/(surplus)	(12,142)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(6.95%)
B. Actual employer payroll	98,990
C. Payment to transition liability/(surplus)	(6,880)
4. Supplemental payment to transition liability	0
5. Interest	(11,132)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($150,277)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(150,277)	(158,167)
2. Combined valuation payroll	328,003	193,598
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.94%)**	**(6.73%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	328,003	193,598
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

North Lincoln Fire & Rescue District #1/2793
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
North Lincoln Fire & Rescue District #1/2793

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

North Lincoln Fire & Rescue District #1/2793

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

North Lincoln Fire & Rescue District #1 -- #2793

SEPTEMBER 2012

Secondary Employers

2711 Devils Lake Rural Fire Protection District

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for North Lincoln Fire & Rescue District #1 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to North Lincoln Fire & Rescue District #1.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for North Lincoln Fire & Rescue District #1

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.58%	10.42%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(4.92%)	(4.92%)	(4.92%)	(4.92%)	(4.92%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**20.17%**	**16.01%**	**20.69%**	**11.86%**	**14.59%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.76%**	**16.60%**	**21.28%**	**12.35%**	**15.08%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.03%	10.31%	15.68%	6.55%	9.26%
July 1, 2013 to June 30, 2015	20.17%	16.01%	20.69%	11.86%	14.59%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

North Lincoln Fire & Rescue District #1

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$695,889	$533,352
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(249,545)	(264,582)
Allocated pooled OPSRP UAL	7,448	5,141
Side account	0	0
Net unfunded pension actuarial accrued liability	453,792	273,911
Combined valuation payroll	436,526	414,082
Net pension UAL as a percentage of payroll	104%	66%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.92%)	(5.27%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$11,308	$14,898
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	39,657	4,132	10.34%	38,976	4,030
Total General Service		**39,657**	**4,132**		**38,976**	**4,030**
Tier 1 Police & Fire	15.06%	107,707	16,221	14.74%	108,833	16,042
Tier 2 Police & Fire	15.12%	206,555	31,231	15.03%	185,627	27,900
Total Police & Fire		**314,262**	**47,452**		**294,460**	**43,942**
Total		**$353,919**	**$51,584**		**$333,436**	**$47,972**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.10%**			**14.92%**
Aggregate (Default)			**14.58%**			**14.39%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($264,582)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(8.66%)
B. Actual employer payroll	241,097
C. Payment to transition liability/(surplus)	(20,879)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.76%)
B. Actual employer payroll	219,492
C. Payment to transition liability/(surplus)	(12,643)
4. Supplemental payment to transition liability	0
5. Interest	(18,485)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($249,545)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(249,545)	(264,582)
2. Combined valuation payroll	436,526	414,082
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.92%)**	**(5.27%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	436,526	414,082
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

North Morrow Vector Control District/2839
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
North Morrow Vector Control District/2839

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

North Morrow Vector Control District/2839

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

North Morrow Vector Control District -- #2839

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for North Morrow Vector Control District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to North Morrow Vector Control District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for North Morrow Vector Control District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.14%	0.14%	0.14%	0.14%	0.14%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.31%**	**19.31%**	**23.98%**	**15.16%**	**17.89%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.90%**	**19.90%**	**24.57%**	**15.65%**	**18.38%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.51%	14.51%	19.98%	10.75%	13.46%
July 1, 2013 to June 30, 2015	19.31%	19.31%	23.98%	15.16%	17.89%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

North Morrow Vector Control District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$160,684	$126,700
Allocated pre-SLGRP pooled liability/(surplus)	(20,568)	(20,222)
Transition liability/(surplus)	1,612	1,643
Allocated pooled OPSRP UAL	1,720	1,221
Side account	0	0
Net unfunded pension actuarial accrued liability	143,448	109,342
Combined valuation payroll	100,796	98,367
Net pension UAL as a percentage of payroll	142%	111%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.14%	0.14%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,611	$3,539
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	100,796	10,503	10.34%	98,367	10,171
Total General Service		**100,796**	**10,503**		**98,367**	**10,171**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$100,796**	**$10,503**		**$98,367**	**$10,171**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$1,643
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.17%
B. Actual employer payroll	47,530
C. Payment to transition liability/(surplus)	81
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.14%
B. Actual employer payroll	49,339
C. Payment to transition liability/(surplus)	69
4. Supplemental payment to transition liability	0
5. Interest	119
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$1,612**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	1,612	1,643
2. Combined valuation payroll	100,796	98,367
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.14%**	**0.14%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	100,796	98,367
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

North Wasco County Parks And Recreation District/2792
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
North Wasco County Parks And Recreation District/2792

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012

North Wasco County Parks And Recreation District/2792

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

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The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

North Wasco County Parks And Recreation District -- #2792

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for North Wasco County Parks And Recreation District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to North Wasco County Parks And Recreation District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for North Wasco County Parks And Recreation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.78%	5.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**14.53%**	**14.53%**	**23.84%**	**15.02%**	**17.75%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.12%**	**15.12%**	**24.43%**	**15.51%**	**18.24%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.28%	10.28%	19.84%	10.61%	13.32%
July 1, 2013 to June 30, 2015	14.53%	14.53%	23.84%	15.02%	17.75%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

North Wasco County Parks And Recreation District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$488,024	$375,086
Allocated pre-SLGRP pooled liability/(surplus)	(62,468)	(59,865)
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	5,223	3,616
Side account	0	0
Net unfunded pension actuarial accrued liability	430,779	318,837
Combined valuation payroll	306,134	291,208
Net pension UAL as a percentage of payroll	141%	109%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.00%	0.00%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$7,931	$10,477
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$168,782	$9,756	5.65%	$163,262	$9,224
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**168,782**	**9,756**		**163,262**	**9,224**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$168,782**	**$9,756**		**$163,262**	**$9,224**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.78%**			**5.65%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	306,134	291,208
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	306,134	291,208
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Northern Oregon Corrections/2825
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Northern Oregon Corrections/2825

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Northern Oregon Corrections/2825

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Northern Oregon Corrections -- #2825

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Northern Oregon Corrections to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Northern Oregon Corrections.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Northern Oregon Corrections

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	12.29%	9.30%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(10.48%)	(10.48%)	(10.48%)	(10.48%)	(10.48%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**12.32%**	**9.33%**	**15.13%**	**6.30%**	**9.03%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**12.91%**	**9.92%**	**15.72%**	**6.79%**	**9.52%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.38%	5.53%	11.92%	2.79%	5.50%
July 1, 2013 to June 30, 2015	12.32%	9.33%	15.13%	6.30%	9.03%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Northern Oregon Corrections

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$4,189,423	$3,598,724
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(3,202,461)	(3,227,126)
Allocated pooled OPSRP UAL	44,840	34,691
Side account	0	0
Net unfunded pension actuarial accrued liability	1,031,802	406,289
Combined valuation payroll	2,627,995	2,793,967
Net pension UAL as a percentage of payroll	39%	15%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(10.48%)	(9.52%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$68,080	$100,523
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$182,018	$10,521	5.65%	$175,790	$9,932
Tier 2 General Service	10.42%	575,293	59,946	10.34%	592,466	61,261
Total General Service		**757,311**	**70,467**		**768,256**	**71,193**
Tier 1 Police & Fire	15.06%	252,273	37,992	14.74%	346,275	51,041
Tier 2 Police & Fire	15.12%	550,375	83,217	15.03%	647,482	97,317
Total Police & Fire		**802,648**	**121,209**		**993,757**	**148,358**
Total		**$1,559,959**	**$191,676**		**$1,762,013**	**$219,551**
Employer normal cost rate						
General Service			**9.30%**			**9.27%**
Police & Fire			**15.10%**			**14.93%**
Aggregate (Default)			**12.29%**			**12.46%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($3,227,126)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(9.52%)
B. Actual employer payroll	1,397,816
C. Payment to transition liability/(surplus)	(133,072)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(9.52%)
B. Actual employer payroll	1,353,063
C. Payment to transition liability/(surplus)	(128,812)
4. Supplemental payment to transition liability	0
5. Interest	(237,219)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($3,202,461)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(3,202,461)	(3,227,126)
2. Combined valuation payroll	2,627,995	2,793,967
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(10.48%)**	**(9.52%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	2,627,995	2,793,967
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Oak Lodge Water District/2504
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Oak Lodge Water District/2504

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Oak Lodge Water District/2504

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Oak Lodge Water District -- #2504

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Oak Lodge Water District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Oak Lodge Water District.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Oak Lodge Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.57%	7.57%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	2.02%	2.02%	2.02%	2.02%	2.02%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**20.10%**	**20.10%**	**27.62%**	**18.80%**	**21.53%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.69%**	**20.69%**	**28.21%**	**19.29%**	**22.02%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.57%	15.57%	23.58%	14.35%	17.06%
July 1, 2013 to June 30, 2015	20.10%	20.10%	27.62%	18.80%	21.53%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Oak Lodge Water District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,409,386	$1,115,699
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	207,627	210,248
Allocated pooled OPSRP UAL	15,085	10,755
Side account	0	0
Net unfunded pension actuarial accrued liability	1,632,098	1,336,702
Combined valuation payroll	884,098	866,203
Net pension UAL as a percentage of payroll	185%	154%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	2.02%	2.00%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$22,903	$31,165
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$426,890	$24,674	5.65%	$406,177	$22,949
Tier 2 General Service	10.42%	268,614	27,990	10.34%	253,591	26,221
Total General Service		**695,504**	**52,664**		**659,768**	**49,170**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$695,504**	**$52,664**		**$659,768**	**$49,170**
Employer normal cost rate						
General Service			**7.57%**			**7.45%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.57%**			**7.45%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$210,248
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	2.22%
B. Actual employer payroll	427,152
C. Payment to transition liability/(surplus)	9,483
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	2.04%
B. Actual employer payroll	417,585
C. Payment to transition liability/(surplus)	8,518
4. Supplemental payment to transition liability	0
5. Interest	15,380
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$207,627**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	207,627	210,248
2. Combined valuation payroll	884,098	866,203
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**2.02%**	**2.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	884,098	866,203
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

Ochoco Irrigation District/2852
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012
Ochoco Irrigation District/2852

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Ochoco Irrigation District/2852

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Ochoco Irrigation District -- #2852

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Ochoco Irrigation District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Ochoco Irrigation District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Ochoco Irrigation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(5.47%)	(5.47%)	(5.47%)	(5.47%)	(5.47%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**13.70%**	**13.70%**	**18.37%**	**9.55%**	**12.28%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.29%**	**14.29%**	**18.96%**	**10.04%**	**12.77%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	8.46%	8.46%	13.93%	4.70%	7.41%
July 1, 2013 to June 30, 2015	13.70%	13.70%	18.37%	9.55%	12.28%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Ochoco Irrigation District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$659,458	$526,403
Allocated pre-SLGRP pooled liability/(surplus)	(84,412)	(84,016)
Transition liability/(surplus)	(263,193)	(266,445)
Allocated pooled OPSRP UAL	7,058	5,074
Side account	0	0
Net unfunded pension actuarial accrued liability	318,911	181,016
Combined valuation payroll	413,673	408,687
Net pension UAL as a percentage of payroll	77%	44%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(5.47%)	(5.37%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$10,716	$14,704
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	346,022	36,055	10.34%	338,580	35,009
Total General Service		**346,022**	**36,055**		**338,580**	**35,009**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$346,022**	**$36,055**		**$338,580**	**$35,009**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($266,445)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(5.51%)
B. Actual employer payroll	194,915
C. Payment to transition liability/(surplus)	(10,740)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.91%)
B. Actual employer payroll	203,178
C. Payment to transition liability/(surplus)	(12,008)
4. Supplemental payment to transition liability	0
5. Interest	(19,496)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($263,193)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(263,193)	(266,445)
2. Combined valuation payroll	413,673	408,687
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(5.47%)**	**(5.37%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	413,673	408,687
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Odell Rural Fire Protection District/2562
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
Odell Rural Fire Protection District/2562

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Odell Rural Fire Protection District/2562

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Odell Rural Fire Protection District -- #2562

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Odell Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Odell Rural Fire Protection District.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Odell Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.15%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	2.51%	2.51%	2.51%	2.51%	2.51%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**20.41%**	**19.18%**	**26.35%**	**17.53%**	**20.26%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**21.00%**	**19.77%**	**26.94%**	**18.02%**	**20.75%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	16.23%	14.92%	22.70%	13.47%	16.18%
July 1, 2013 to June 30, 2015	20.41%	19.18%	26.35%	17.53%	20.26%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Odell Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$124,368	$79,336
Allocated pre-SLGRP pooled liability/(surplus)	(15,919)	(12,662)
Transition liability/(surplus)	22,792	23,187
Allocated pooled OPSRP UAL	1,331	765
Side account	0	0
Net unfunded pension actuarial accrued liability	132,572	90,626
Combined valuation payroll	78,015	61,595
Net pension UAL as a percentage of payroll	170%	147%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	2.51%	3.10%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,021	$2,216
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$0**	**$0**		**$0**	**$0**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.15%**			**8.96%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$23,187
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	2.79%
B. Actual employer payroll	39,862
C. Payment to transition liability/(surplus)	1,112
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	2.86%
B. Actual employer payroll	33,950
C. Payment to transition liability/(surplus)	971
4. Supplemental payment to transition liability	0
5. Interest	1,688
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$22,792**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	22,792	23,187
2. Combined valuation payroll	78,015	61,595
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**2.51%**	**3.10%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	78,015	61,595
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

Odell Sanitary District/2816
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Odell Sanitary District/2816

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Odell Sanitary District/2816

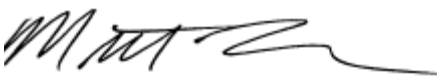
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Odell Sanitary District -- #2816

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Odell Sanitary District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Odell Sanitary District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Odell Sanitary District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(1.59%)	(1.59%)	(1.59%)	(1.59%)	(1.59%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.34%**	**19.34%**	**24.01%**	**15.19%**	**17.92%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.93%**	**19.93%**	**24.60%**	**15.68%**	**18.41%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.42%	11.42%	16.89%	7.66%	10.37%
July 1, 2013 to June 30, 2015	19.34%	19.34%	24.01%	15.19%	17.92%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Odell Sanitary District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$305,718	$237,368
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(35,372)	(46,770)
Allocated pooled OPSRP UAL	3,272	2,288
Side account	0	0
Net unfunded pension actuarial accrued liability	273,618	192,886
Combined valuation payroll	191,775	184,287
Net pension UAL as a percentage of payroll	143%	105%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.59%)	(2.09%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$4,968	$6,630
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	35,809	3,731	10.34%	36,174	3,740
Total General Service		**35,809**	**3,731**		**36,174**	**3,740**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$35,809**	**$3,731**		**$36,174**	**$3,740**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($46,770)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(9.97%)
B. Actual employer payroll	88,670
C. Payment to transition liability/(surplus)	(8,840)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.65%)
B. Actual employer payroll	111,365
C. Payment to transition liability/(surplus)	(5,178)
4. Supplemental payment to transition liability	0
5. Interest	(2,620)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($35,372)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(35,372)	(46,770)
2. Combined valuation payroll	191,775	184,287
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.59%)**	**(2.09%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	191,775	184,287
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Oregon Coast Community College/2995
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
Oregon Coast Community College/2995

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Oregon Coast Community College/2995

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Oregon Coast Community College -- #2995

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Oregon Coast Community College to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Oregon Coast Community College.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Oregon Coast Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.07%	8.07%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	1.86%	1.86%	1.86%	1.86%	1.86%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(6.37%)	(6.37%)	(6.37%)	(6.37%)	(6.37%)
Net pension contribution rate	**14.07%**	**14.07%**	**21.09%**	**12.27%**	**15.00%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.66%**	**14.66%**	**21.68%**	**12.76%**	**15.49%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.25%	9.25%	16.91%	7.68%	10.39%
July 1, 2013 to June 30, 2015	14.07%	14.07%	21.09%	12.27%	15.00%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Oregon Coast Community College

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$3,727,688	$3,144,021
Allocated pre-SLGRP pooled liability/(surplus)	506,626	535,325
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	39,898	30,307
Side account	1,730,624	1,858,449
Net unfunded pension actuarial accrued liability	2,543,588	1,851,204
Combined valuation payroll	2,338,352	2,440,946
Net pension UAL as a percentage of payroll	109%	76%
Pre-SLGRP pooled rate	1.86%	1.81%
Transition rate	0.00%	0.00%
Side account rate relief	(6.37%)	(6.27%)
Allocated pooled RHIA UAL	$60,576	$87,821
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$126,008,735	$7,283,305	5.65%	$135,189,476	$7,638,205
Tier 2 General Service	10.42%	123,113,364	12,828,413	10.34%	125,634,641	12,990,622
Total General Service		**249,122,099**	**20,111,718**		**260,824,117**	**20,628,827**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$249,122,099**	**$20,111,718**		**$260,824,117**	**$20,628,827**
Employer normal cost rate						
General Service			**8.07%**			**7.91%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.07%**			**7.91%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	403,407,903	413,952,327
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$1,858,449**	**$1,858,449**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(177,507)	(177,507)
5. Side account earnings during 2011		50,682	50,682
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$1,730,624**	**$1,730,624**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$1,730,624	$1,858,449
Side Account 2	0	0
Side Account 3	0	0
Total	**$1,730,624**	**$1,858,449**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$1,730,624	$1,858,449
2. Combined valuation payroll	2,338,352	2,440,946
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(6.37%)	(6.27%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Oregon Health & Science University/2880
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Oregon Health & Science University/2880

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Oregon Health & Science University/2880

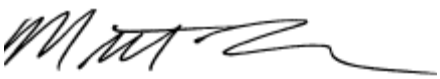
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Oregon Health & Science University -- #2880

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Oregon Health & Science University to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Oregon Health & Science University.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Oregon Health & Science University

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.85%	7.85%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(5.08%)	(5.08%)	(5.08%)	(5.08%)	(5.08%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**13.28%**	**13.28%**	**20.52%**	**11.70%**	**14.43%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.87%**	**13.87%**	**21.11%**	**12.19%**	**14.92%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	8.53%	8.53%	16.31%	7.08%	9.79%
July 1, 2013 to June 30, 2015	13.28%	13.28%	20.52%	11.70%	14.43%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Oregon Health & Science University

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$640,379,243	$515,597,863
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(237,098,314)	(243,893,587)
Allocated pooled OPSRP UAL	6,854,046	4,970,200
Side account	0	0
Net unfunded pension actuarial accrued liability	410,134,975	276,674,476
Combined valuation payroll	401,705,334	400,298,362
Net pension UAL as a percentage of payroll	102%	69%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.08%)	(5.02%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$10,406,379	$14,402,102
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$141,564,704	$8,182,440	5.65%	$148,956,213	$8,416,026
Tier 2 General Service	10.42%	114,146,113	11,894,025	10.34%	115,464,818	11,939,062
Total General Service		**255,710,817**	**20,076,465**		**264,421,031**	**20,355,088**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$255,710,817**	**$20,076,465**		**$264,421,031**	**$20,355,088**
Employer normal cost rate						
General Service			**7.85%**			**7.70%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.85%**			**7.70%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($243,893,587)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(7.03%)
B. Actual employer payroll	201,822,122
C. Payment to transition liability/(surplus)	(14,188,095)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.23%)
B. Actual employer payroll	194,455,379
C. Payment to transition liability/(surplus)	(10,170,016)
4. Supplemental payment to transition liability	0
5. Interest	(17,562,838)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($237,098,314)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(237,098,314)	(243,893,587)
2. Combined valuation payroll	401,705,334	400,298,362
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(5.08%)**	**(5.02%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	401,705,334	400,298,362
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

Oregon School Boards Association/2531
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Oregon School Boards Association/2531

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Oregon School Boards Association/2531

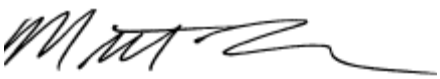
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

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Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Oregon School Boards Association -- #2531

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Oregon School Boards Association to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Oregon School Boards Association.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Oregon School Boards Association

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.29%	7.29%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	0.10%	0.10%	0.10%	0.10%	0.10%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.90%**	**17.90%**	**25.70%**	**16.88%**	**19.61%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.49%**	**18.49%**	**26.29%**	**17.37%**	**20.10%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	13.36%	13.36%	21.64%	12.41%	15.12%
July 1, 2013 to June 30, 2015	17.90%	17.90%	25.70%	16.88%	19.61%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Oregon School Boards Association

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$3,951,550	$3,134,914
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	29,489	29,797
Allocated pooled OPSRP UAL	42,294	30,220
Side account	0	0
Net unfunded pension actuarial accrued liability	4,023,333	3,194,931
Combined valuation payroll	2,478,779	2,433,875
Net pension UAL as a percentage of payroll	162%	131%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	0.10%	0.10%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$64,214	$87,567
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$1,113,147	$64,340	5.65%	$1,182,738	$66,825
Tier 2 General Service	10.42%	539,535	56,220	10.34%	535,131	55,333
Total General Service		**1,652,682**	**120,560**		**1,717,869**	**122,158**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$1,652,682**	**$120,560**		**$1,717,869**	**$122,158**
Employer normal cost rate						
General Service			**7.29%**			**7.11%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.29%**			**7.11%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$29,797
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.10%
B. Actual employer payroll	1,175,043
C. Payment to transition liability/(surplus)	1,175
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.10%
B. Actual employer payroll	1,316,896
C. Payment to transition liability/(surplus)	1,317
4. Supplemental payment to transition liability	0
5. Interest	2,184
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$29,489**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	29,489	29,797
2. Combined valuation payroll	2,478,779	2,433,875
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.10%**	**0.10%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	2,478,779	2,433,875
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Oregon Trail Library District/2774
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Oregon Trail Library District/2774

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Oregon Trail Library District/2774

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Oregon Trail Library District -- #2774

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Oregon Trail Library District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Oregon Trail Library District.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Oregon Trail Library District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.78%	5.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(1.14%)	(1.14%)	(1.14%)	(1.14%)	(1.14%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**13.39%**	**13.39%**	**22.70%**	**13.88%**	**16.61%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.98%**	**13.98%**	**23.29%**	**14.37%**	**17.10%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.32%	10.32%	18.92%	9.69%	12.40%
July 1, 2013 to June 30, 2015	13.39%	13.39%	22.70%	13.88%	16.61%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Oregon Trail Library District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$151,617	$112,882
Allocated pre-SLGRP pooled liability/(surplus)	(19,407)	(18,016)
Transition liability/(surplus)	(12,655)	(12,681)
Allocated pooled OPSRP UAL	1,623	1,088
Side account	0	0
Net unfunded pension actuarial accrued liability	121,178	83,273
Combined valuation payroll	95,108	87,639
Net pension UAL as a percentage of payroll	127%	95%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(1.14%)	(1.19%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,464	$3,153
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$42,838	$2,476	5.65%	$42,753	$2,416
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**42,838**	**2,476**		**42,753**	**2,416**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$42,838**	**$2,476**		**$42,753**	**$2,416**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.78%**			**5.65%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($12,681)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.96%)
B. Actual employer payroll	49,730
C. Payment to transition liability/(surplus)	(477)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.92%)
B. Actual employer payroll	52,696
C. Payment to transition liability/(surplus)	(486)
4. Supplemental payment to transition liability	0
5. Interest	(937)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($12,655)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(12,655)	(12,681)
2. Combined valuation payroll	95,108	87,639
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.14%)**	**(1.19%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	95,108	87,639
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Parkdale Fire District/2684
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Parkdale Fire District/2684

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Parkdale Fire District/2684

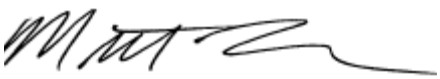
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Parkdale Fire District -- #2684

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Parkdale Fire District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Parkdale Fire District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Parkdale Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.12%	7.92%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	0.73%	0.73%	0.73%	0.73%	0.73%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**26.36%**	**19.16%**	**26.36%**	**17.51%**	**20.24%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**26.95%**	**19.75%**	**26.95%**	**18.00%**	**20.73%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	21.86%	14.50%	21.86%	13.05%	15.76%
July 1, 2013 to June 30, 2015	26.36%	19.16%	26.36%	17.51%	20.24%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Parkdale Fire District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$126,918	$81,791
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	6,720	8,746
Allocated pooled OPSRP UAL	1,358	788
Side account	0	0
Net unfunded pension actuarial accrued liability	134,996	91,325
Combined valuation payroll	79,615	63,501
Net pension UAL as a percentage of payroll	170%	144%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	0.73%	1.14%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,062	$2,285
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	65,515	9,906	15.03%	63,501	9,544
Total Police & Fire		**65,515**	**9,906**		**63,501**	**9,544**
Total		**$65,515**	**$9,906**		**$63,501**	**$9,544**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**15.12%**			**15.03%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$8,746
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	4.75%
B. Actual employer payroll	46,629
C. Payment to transition liability/(surplus)	2,215
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.74%
B. Actual employer payroll	41,729
C. Payment to transition liability/(surplus)	309
4. Supplemental payment to transition liability	0
5. Interest	498
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$6,720**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	6,720	8,746
2. Combined valuation payroll	79,615	63,501
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.73%**	**1.14%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	79,615	63,501
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Philomath Fire Department/2694
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Philomath Fire Department/2694

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Philomath Fire Department/2694

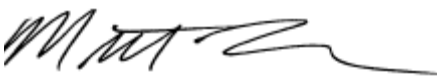
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Philomath Fire Department -- #2694

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Philomath Fire Department to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Philomath Fire Department.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Philomath Fire Department

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.08%	7.92%	15.08%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(1.59%)	(1.59%)	(1.59%)	(1.59%)	(1.59%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**22.24%**	**15.08%**	**22.24%**	**13.43%**	**16.16%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**22.83%**	**15.67%**	**22.83%**	**13.92%**	**16.65%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	17.83%	9.99%	17.83%	8.54%	11.25%
July 1, 2013 to June 30, 2015	22.24%	15.08%	22.24%	13.43%	16.16%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Philomath Fire Department

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$558,248	$416,397
Allocated pre-SLGRP pooled liability/(surplus)	(71,457)	(66,458)
Transition liability/(surplus)	(64,588)	(74,196)
Allocated pooled OPSRP UAL	5,975	4,014
Side account	0	0
Net unfunded pension actuarial accrued liability	428,178	279,757
Combined valuation payroll	350,185	323,281
Net pension UAL as a percentage of payroll	122%	87%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(1.59%)	(1.89%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$9,072	$11,631
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	86,277	12,993	14.74%	86,184	12,704
Tier 2 Police & Fire	15.12%	61,085	9,236	15.03%	60,657	9,117
Total Police & Fire		**147,362**	**22,229**		**146,841**	**21,821**
Total		**$147,362**	**$22,229**		**$146,841**	**$21,821**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.08%**			**14.86%**
Aggregate (Default)			**15.08%**			**14.86%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($74,196)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(5.70%)
B. Actual employer payroll	187,165
C. Payment to transition liability/(surplus)	(10,668)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.07%)
B. Actual employer payroll	179,892
C. Payment to transition liability/(surplus)	(3,724)
4. Supplemental payment to transition liability	0
5. Interest	(4,784)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($64,588)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(64,588)	(74,196)
2. Combined valuation payroll	350,185	323,281
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.59%)**	**(1.89%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	350,185	323,281
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Pleasant Hill Fire Department/2650
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Pleasant Hill Fire Department/2650

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Pleasant Hill Fire Department/2650

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Pleasant Hill Fire Department -- #2650

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Pleasant Hill Fire Department to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Pleasant Hill Fire Department.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Pleasant Hill Fire Department

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.15%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(2.16%)	(2.16%)	(2.16%)	(2.16%)	(2.16%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.74%**	**14.51%**	**21.68%**	**12.86%**	**15.59%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.33%**	**15.10%**	**22.27%**	**13.35%**	**16.08%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.27%	9.96%	17.74%	8.51%	11.22%
July 1, 2013 to June 30, 2015	15.74%	14.51%	21.68%	12.86%	15.59%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Pleasant Hill Fire Department

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$87,117	$69,715
Allocated pre-SLGRP pooled liability/(surplus)	(11,151)	(11,127)
Transition liability/(surplus)	(13,697)	(13,730)
Allocated pooled OPSRP UAL	932	672
Side account	0	0
Net unfunded pension actuarial accrued liability	63,201	45,530
Combined valuation payroll	54,648	54,125
Net pension UAL as a percentage of payroll	116%	84%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(2.16%)	(2.09%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,416	$1,947
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$0**	**$0**		**$0**	**$0**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.15%**			**8.96%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($13,730)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.03%)
B. Actual employer payroll	25,000
C. Payment to transition liability/(surplus)	(508)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.10%)
B. Actual employer payroll	25,750
C. Payment to transition liability/(surplus)	(540)
4. Supplemental payment to transition liability	0
5. Interest	(1,015)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($13,697)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(13,697)	(13,730)
2. Combined valuation payroll	54,648	54,125
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.16%)**	**(2.09%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	54,648	54,125
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

Port of Coos Bay/2513
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Port of Coos Bay/2513

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Port of Coos Bay/2513

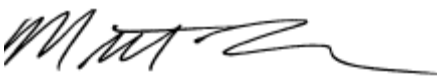
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

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Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Port of Coos Bay -- #2513

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Port of Coos Bay to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Port of Coos Bay.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Port of Coos Bay

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.64%	7.64%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(1.73%)	(1.73%)	(1.73%)	(1.73%)	(1.73%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.42%**	**16.42%**	**23.87%**	**15.05%**	**17.78%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.01%**	**17.01%**	**24.46%**	**15.54%**	**18.27%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.59%	11.59%	19.79%	10.56%	13.27%
July 1, 2013 to June 30, 2015	16.42%	16.42%	23.87%	15.05%	17.78%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Port of Coos Bay

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,855,119	$1,574,517
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(233,699)	(251,280)
Allocated pooled OPSRP UAL	19,856	15,178
Side account	0	0
Net unfunded pension actuarial accrued liability	1,641,276	1,338,415
Combined valuation payroll	1,163,703	1,222,419
Net pension UAL as a percentage of payroll	141%	109%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.73%)	(1.69%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$30,146	$43,981
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$333,814	$19,294	5.65%	$326,978	$18,474
Tier 2 General Service	10.42%	223,228	23,260	10.34%	214,651	22,195
Total General Service		**557,042**	**42,554**		**541,629**	**40,669**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$557,042**	**$42,554**		**$541,629**	**$40,669**
Employer normal cost rate						
General Service			**7.64%**			**7.51%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.64%**			**7.51%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($251,280)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.38%)
B. Actual employer payroll	684,712
C. Payment to transition liability/(surplus)	(23,143)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.75%)
B. Actual employer payroll	671,317
C. Payment to transition liability/(surplus)	(11,749)
4. Supplemental payment to transition liability	0
5. Interest	(17,311)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($233,699)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(233,699)	(251,280)
2. Combined valuation payroll	1,163,703	1,222,419
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.73%)**	**(1.69%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,163,703	1,222,419
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Portland, OR 97204-3654
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September 28, 2012

Port of Garibaldi/2741
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
Port of Garibaldi/2741

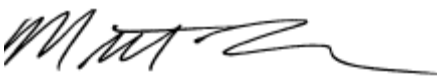
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Port of Garibaldi -- #2741

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Port of Garibaldi to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Port of Garibaldi.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Port of Garibaldi

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.36%	7.36%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(2.33%)	(2.33%)	(2.33%)	(2.33%)	(2.33%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**13.78%**	**13.78%**	**21.51%**	**12.69%**	**15.42%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.37%**	**14.37%**	**22.10%**	**13.18%**	**15.91%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.27%	9.27%	17.44%	8.21%	10.92%
July 1, 2013 to June 30, 2015	13.78%	13.78%	21.51%	12.69%	15.42%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Port of Garibaldi

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$461,025	$368,553
Allocated pre-SLGRP pooled liability/(surplus)	(59,012)	(58,822)
Transition liability/(surplus)	(78,473)	(81,750)
Allocated pooled OPSRP UAL	4,934	3,553
Side account	0	0
Net unfunded pension actuarial accrued liability	328,474	231,534
Combined valuation payroll	289,198	286,136
Net pension UAL as a percentage of payroll	114%	81%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(2.33%)	(2.35%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$7,492	$10,295
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$91,773	$5,304	5.65%	$90,652	$5,122
Tier 2 General Service	10.42%	47,238	4,922	10.34%	46,655	4,824
Total General Service		**139,011**	**10,226**		**137,307**	**9,946**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$139,011**	**$10,226**		**$137,307**	**$9,946**
Employer normal cost rate						
General Service			**7.36%**			**7.24%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.36%**			**7.24%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($81,750)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(4.20%)
B. Actual employer payroll	137,501
C. Payment to transition liability/(surplus)	(5,775)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.40%)
B. Actual employer payroll	138,101
C. Payment to transition liability/(surplus)	(3,315)
4. Supplemental payment to transition liability	0
5. Interest	(5,813)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($78,473)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(78,473)	(81,750)
2. Combined valuation payroll	289,198	286,136
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.33%)**	**(2.35%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	289,198	286,136
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Port of Newport/2625
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Port of Newport/2625

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
Port of Newport/2625

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Port of Newport -- #2625

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Port of Newport to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Port of Newport.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Port of Newport

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	6.22%	6.22%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(9.18%)	(9.18%)	(9.18%)	(9.18%)	(9.18%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**7.55%**	**7.55%**	**16.42%**	**7.60%**	**10.33%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**8.14%**	**8.14%**	**17.01%**	**8.09%**	**10.82%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	4.46%	4.46%	13.42%	4.19%	6.90%
July 1, 2013 to June 30, 2015	7.55%	7.55%	16.42%	7.60%	10.33%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Port of Newport

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,175,953	$992,478
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(787,568)	(773,723)
Allocated pooled OPSRP UAL	12,586	9,567
Side account	0	0
Net unfunded pension actuarial accrued liability	400,971	228,322
Combined valuation payroll	737,667	770,537
Net pension UAL as a percentage of payroll	54%	30%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(9.18%)	(8.28%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$19,110	$27,723
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$452,913	$26,178	5.65%	$486,055	$27,462
Tier 2 General Service	10.42%	47,955	4,997	10.34%	60,740	6,281
Total General Service		**500,868**	**31,175**		**546,795**	**33,743**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$500,868**	**$31,175**		**$546,795**	**$33,743**
Employer normal cost rate						
General Service			**6.22%**			**6.17%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**6.22%**			**6.17%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($773,723)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.25%)
B. Actual employer payroll	370,898
C. Payment to transition liability/(surplus)	(12,054)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(8.12%)
B. Actual employer payroll	399,486
C. Payment to transition liability/(surplus)	(32,439)
4. Supplemental payment to transition liability	0
5. Interest	(58,338)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($787,568)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(787,568)	(773,723)
2. Combined valuation payroll	737,667	770,537
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(9.18%)**	**(8.28%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	737,667	770,537
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Port of Portland/2512
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Port of Portland/2512

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
Port of Portland/2512

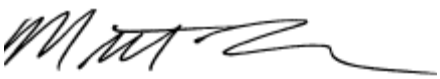
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Port of Portland -- #2512

SEPTEMBER 2012

Secondary Employers

2151 Portland Dock Commission

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Port of Portland to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Port of Portland.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Port of Portland

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.46%	8.35%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.13%)	(0.13%)	(0.13%)	(0.13%)	(0.13%)
Side account rate relief [2]	(4.47%)	(4.47%)	(4.47%)	(4.47%)	(4.47%)
Net pension contribution rate	**13.61%**	**12.50%**	**19.24%**	**10.42%**	**13.15%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.20%**	**13.09%**	**19.83%**	**10.91%**	**13.64%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	8.73%	7.55%	14.87%	5.69%	8.40%
July 1, 2013 to June 30, 2015	13.61%	12.50%	19.24%	10.42%	13.15%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Port of Portland

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$96,760,279	$70,981,972
Allocated pre-SLGRP pooled liability/(surplus)	(12,385,459)	(11,328,970)
Transition liability/(surplus)	(911,980)	(923,822)
Allocated pooled OPSRP UAL	1,035,635	684,244
Side account	31,558,869	33,780,834
Net unfunded pension actuarial accrued liability	52,939,606	25,632,590
Combined valuation payroll	60,697,033	55,108,776
Net pension UAL as a percentage of payroll	87%	47%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.13%)	(0.14%)
Side account rate relief	(4.47%)	(5.05%)
Allocated pooled RHIA UAL	$1,572,387	$1,982,727
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$14,046,311	$811,877	5.65%	$14,411,041	$814,224
Tier 2 General Service	10.42%	17,472,395	1,820,624	10.34%	15,833,035	1,637,136
Total General Service		**31,518,706**	**2,632,501**		**30,244,076**	**2,451,360**
Tier 1 Police & Fire	15.06%	2,664,132	401,218	14.74%	2,849,231	419,977
Tier 2 Police & Fire	15.12%	3,531,525	533,967	15.03%	3,787,086	569,199
Total Police & Fire		**6,195,657**	**935,185**		**6,636,317**	**989,176**
Total		**$37,714,363**	**$3,567,686**		**$36,880,393**	**$3,440,536**
Employer normal cost rate						
General Service			**8.35%**			**8.11%**
Police & Fire			**15.09%**			**14.91%**
Aggregate (Default)			**9.46%**			**9.33%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($923,822)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.13%)
B. Actual employer payroll	28,016,519
C. Payment to transition liability/(surplus)	(36,421)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.13%)
B. Actual employer payroll	33,057,819
C. Payment to transition liability/(surplus)	(42,975)
4. Supplemental payment to transition liability	0
5. Interest	(67,554)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($911,980)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(911,980)	(923,822)
2. Combined valuation payroll	60,697,033	55,108,776
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.13%)**	**(0.14%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$33,780,834**	**$33,780,834**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(3,128,809)	(3,128,809)
5. Side account earnings during 2011		908,844	908,844
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$31,558,869**	**$31,558,869**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$16,018,603	$17,146,749
Side Account 2	15,540,266	16,634,085
Side Account 3	0	0
Total	**$31,558,869**	**$33,780,834**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$31,558,869	$33,780,834
2. Combined valuation payroll	60,697,033	55,108,776
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(4.47%)	(5.05%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Port of The Dalles/2501
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Port of The Dalles/2501

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
Port of The Dalles/2501

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Port of The Dalles -- #2501

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Port of The Dalles to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Port of The Dalles.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Port of The Dalles

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.19%	9.19%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(14.07%)	(14.07%)	(14.07%)	(14.07%)	(14.07%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**3.87%**	**3.87%**	**9.77%**	**0.95%**	**3.68%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**4.46%**	**4.46%**	**10.36%**	**1.44%**	**4.17%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	0.19%	0.19%	6.72%	0.00%	0.20%
July 1, 2013 to June 30, 2015	3.87%	3.87%	9.77%	0.95%	3.68%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Port of The Dalles

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$244,908	$194,733
Allocated pre-SLGRP pooled liability/(surplus)	(31,349)	(31,080)
Transition liability/(surplus)	(251,278)	(248,118)
Allocated pooled OPSRP UAL	2,621	1,877
Side account	0	0
Net unfunded pension actuarial accrued liability	(35,098)	(82,588)
Combined valuation payroll	153,629	151,186
Net pension UAL as a percentage of payroll	(23%)	(55%)
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(14.07%)	(13.53%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$3,980	$5,439
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$30,923	$1,787	5.65%	$29,697	$1,678
Tier 2 General Service	10.42%	85,901	8,951	10.34%	85,371	8,827
Total General Service		**116,824**	**10,738**		**115,068**	**10,505**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$116,824**	**$10,738**		**$115,068**	**$10,505**
Employer normal cost rate						
General Service			**9.19%**			**9.13%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.19%**			**9.13%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($248,118)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(8.45%)
B. Actual employer payroll	72,587
C. Payment to transition liability/(surplus)	(6,184)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(13.12%)
B. Actual employer payroll	74,062
C. Payment to transition liability/(surplus)	(9,269)
4. Supplemental payment to transition liability	0
5. Interest	(18,613)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($251,278)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(251,278)	(248,118)
2. Combined valuation payroll	153,629	151,186
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(14.07%)**	**(13.53%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	153,629	151,186
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Port of Tillamook Bay/2713
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Port of Tillamook Bay/2713

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Port of Tillamook Bay/2713

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Port of Tillamook Bay -- #2713

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Port of Tillamook Bay to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Port of Tillamook Bay.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Port of Tillamook Bay

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.88%	7.88%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(1.92%)	(1.92%)	(1.92%)	(1.92%)	(1.92%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**14.71%**	**14.71%**	**21.92%**	**13.10%**	**15.83%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.30%**	**15.30%**	**22.51%**	**13.59%**	**16.32%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.67%	9.67%	17.52%	8.29%	11.00%
July 1, 2013 to June 30, 2015	14.71%	14.71%	21.92%	13.10%	15.83%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Port of Tillamook Bay

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,208,228	$966,318
Allocated pre-SLGRP pooled liability/(surplus)	(154,655)	(154,228)
Transition liability/(surplus)	(168,927)	(172,250)
Allocated pooled OPSRP UAL	12,932	9,315
Side account	0	0
Net unfunded pension actuarial accrued liability	897,578	649,155
Combined valuation payroll	757,913	750,227
Net pension UAL as a percentage of payroll	118%	87%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(1.92%)	(1.89%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$19,634	$26,992
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$250,971	$14,506	5.65%	$265,347	$14,992
Tier 2 General Service	10.42%	208,109	21,685	10.34%	201,555	20,841
Total General Service		**459,080**	**36,191**		**466,902**	**35,833**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$459,080**	**$36,191**		**$466,902**	**$35,833**
Employer normal cost rate						
General Service			**7.88%**			**7.67%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.88%**			**7.67%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($172,250)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.75%)
B. Actual employer payroll	310,977
C. Payment to transition liability/(surplus)	(8,552)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.32%)
B. Actual employer payroll	313,975
C. Payment to transition liability/(surplus)	(7,284)
4. Supplemental payment to transition liability	0
5. Interest	(12,513)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($168,927)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(168,927)	(172,250)
2. Combined valuation payroll	757,913	750,227
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.92%)**	**(1.89%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	757,913	750,227
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Port Orford Library/2673
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Port Orford Library/2673

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
Port Orford Library/2673

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Port Orford Library -- #2673

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Port Orford Library to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Port Orford Library.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Port Orford Library

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(12.95%)	(12.95%)	(12.95%)	(12.95%)	(12.95%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**6.22%**	**6.22%**	**10.89%**	**2.07%**	**4.80%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**6.81%**	**6.81%**	**11.48%**	**2.56%**	**5.29%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	6.36%	6.36%	11.83%	2.60%	5.31%
July 1, 2013 to June 30, 2015	6.22%	6.22%	10.89%	2.07%	4.80%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Port Orford Library

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$41,842	$59,247
Allocated pre-SLGRP pooled liability/(surplus)	(5,356)	(9,456)
Transition liability/(surplus)	(39,504)	(41,069)
Allocated pooled OPSRP UAL	448	571
Side account	0	0
Net unfunded pension actuarial accrued liability	(2,570)	9,293
Combined valuation payroll	26,247	45,998
Net pension UAL as a percentage of payroll	(10%)	20%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(12.95%)	(7.36%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$680	$1,655
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	26,247	2,735	10.34%	41,698	4,312
Total General Service		**26,247**	**2,735**		**41,698**	**4,312**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$26,247**	**$2,735**		**$41,698**	**$4,312**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($41,069)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(7.75%)
B. Actual employer payroll	33,347
C. Payment to transition liability/(surplus)	(2,584)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(8.01%)
B. Actual employer payroll	23,803
C. Payment to transition liability/(surplus)	(1,907)
4. Supplemental payment to transition liability	0
5. Interest	(2,926)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($39,504)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(39,504)	(41,069)
2. Combined valuation payroll	26,247	45,998
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(12.95%)**	**(7.36%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	26,247	45,998
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Portland Community College/2918
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Portland Community College/2918

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Portland Community College/2918

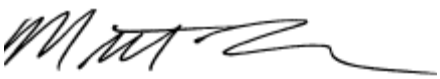
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Portland Community College -- #2918

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Portland Community College to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Portland Community College.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Portland Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.07%	8.07%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	1.86%	1.86%	1.86%	1.86%	1.86%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(8.31%)	(8.31%)	(8.31%)	(8.31%)	(8.31%)
Net pension contribution rate	**12.13%**	**12.13%**	**19.15%**	**10.33%**	**13.06%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**12.72%**	**12.72%**	**19.74%**	**10.82%**	**13.55%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	6.51%	6.51%	14.17%	4.94%	7.65%
July 1, 2013 to June 30, 2015	12.13%	12.13%	19.15%	10.33%	13.06%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Portland Community College

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$190,046,764	$153,196,061
Allocated pre-SLGRP pooled liability/(surplus)	25,829,069	26,084,342
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	2,034,090	1,476,762
Side account	115,108,347	120,367,178
Net unfunded pension actuarial accrued liability	102,801,576	60,389,987
Combined valuation payroll	119,214,980	118,937,910
Net pension UAL as a percentage of payroll	86%	51%
Pre-SLGRP pooled rate	1.86%	1.81%
Transition rate	0.00%	0.00%
Side account rate relief	(8.31%)	(8.34%)
Allocated pooled RHIA UAL	$3,088,324	$4,279,198
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$126,008,735	$7,283,305	5.65%	$135,189,476	$7,638,205
Tier 2 General Service	10.42%	123,113,364	12,828,413	10.34%	125,634,641	12,990,622
Total General Service		**249,122,099**	**20,111,718**		**260,824,117**	**20,628,827**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$249,122,099**	**$20,111,718**		**$260,824,117**	**$20,628,827**
Employer normal cost rate						
General Service			**8.07%**			**7.91%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.07%**			**7.91%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	403,407,903	413,952,327
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$120,367,178**	**$120,367,178**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(8,542,543)	(8,542,543)
5. Side account earnings during 2011		3,284,712	3,284,712
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$115,108,347**	**$115,108,347**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$115,108,347	$120,367,178
Side Account 2	0	0
Side Account 3	0	0
Total	**$115,108,347**	**$120,367,178**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$115,108,347	$120,367,178
2. Combined valuation payroll	119,214,980	118,937,910
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(8.31%)	(8.34%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Portland Housing Authority/2519
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Portland Housing Authority/2519

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Portland Housing Authority/2519

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Portland Housing Authority -- #2519

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Portland Housing Authority to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Portland Housing Authority.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Portland Housing Authority

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.46%	8.46%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(4.46%)	(4.46%)	(4.46%)	(4.46%)	(4.46%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**14.51%**	**14.51%**	**21.14%**	**12.32%**	**15.05%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.10%**	**15.10%**	**21.73%**	**12.81%**	**15.54%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.92%	9.92%	17.10%	7.87%	10.58%
July 1, 2013 to June 30, 2015	14.51%	14.51%	21.14%	12.32%	15.05%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Portland Housing Authority

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$22,711,556	$18,032,591
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(7,382,520)	(7,479,505)
Allocated pooled OPSRP UAL	243,084	173,828
Side account	0	0
Net unfunded pension actuarial accrued liability	15,572,120	10,726,914
Combined valuation payroll	14,246,797	14,000,090
Net pension UAL as a percentage of payroll	109%	77%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.46%)	(4.40%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$369,070	$503,701
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$3,333,703	$192,688	5.65%	$3,581,632	$202,362
Tier 2 General Service	10.42%	4,571,555	476,356	10.34%	4,707,917	486,799
Total General Service		**7,905,258**	**669,044**		**8,289,549**	**689,161**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$7,905,258**	**$669,044**		**$8,289,549**	**$689,161**
Employer normal cost rate						
General Service			**8.46%**			**8.31%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.46%**			**8.31%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($7,479,505)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(4.44%)
B. Actual employer payroll	7,092,678
C. Payment to transition liability/(surplus)	(314,915)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.44%)
B. Actual employer payroll	7,408,162
C. Payment to transition liability/(surplus)	(328,923)
4. Supplemental payment to transition liability	0
5. Interest	(546,853)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($7,382,520)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(7,382,520)	(7,479,505)
2. Combined valuation payroll	14,246,797	14,000,090
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.46%)**	**(4.40%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	14,246,797	14,000,090
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Rainbow Water District/2542
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Rainbow Water District/2542

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Rainbow Water District/2542

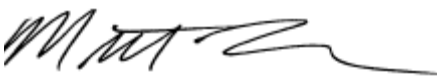
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Rainbow Water District -- #2542

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Rainbow Water District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Rainbow Water District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Rainbow Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.78%	5.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	2.11%	2.11%	2.11%	2.11%	2.11%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.64%**	**16.64%**	**25.95%**	**17.13%**	**19.86%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.23%**	**17.23%**	**26.54%**	**17.62%**	**20.35%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.32%	12.32%	21.88%	12.65%	15.36%
July 1, 2013 to June 30, 2015	16.64%	16.64%	25.95%	17.13%	19.86%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Rainbow Water District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$694,028	$465,009
Allocated pre-SLGRP pooled liability/(surplus)	(88,837)	(74,217)
Transition liability/(surplus)	106,547	107,369
Allocated pooled OPSRP UAL	7,428	4,483
Side account	0	0
Net unfunded pension actuarial accrued liability	719,166	502,644
Combined valuation payroll	435,359	361,022
Net pension UAL as a percentage of payroll	165%	139%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	2.11%	2.45%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$11,278	$12,989
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$197,443	$11,412	5.65%	$137,039	$7,743
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**197,443**	**11,412**		**137,039**	**7,743**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$197,443**	**$11,412**		**$137,039**	**$7,743**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.78%**			**5.65%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$107,369
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	2.22%
B. Actual employer payroll	200,438
C. Payment to transition liability/(surplus)	4,450
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	2.04%
B. Actual employer payroll	209,062
C. Payment to transition liability/(surplus)	4,264
4. Supplemental payment to transition liability	0
5. Interest	7,892
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$106,547**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	106,547	107,369
2. Combined valuation payroll	435,359	361,022
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**2.11%**	**2.45%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	435,359	361,022
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

Rainier Cemetery District/2776
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Rainier Cemetery District/2776

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Rainier Cemetery District/2776

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Rainier Cemetery District -- #2776

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Rainier Cemetery District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Rainier Cemetery District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Rainier Cemetery District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.15%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(20.92%)	(20.92%)	(20.92%)	(20.92%)	(20.92%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**0.00%**	**0.00%**	**4.68%**	**0.00%**	**0.00%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**0.59%**	**0.59%**	**5.27%**	**0.49%**	**0.49%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	0.00%	0.00%	3.51%	0.00%	0.00%
July 1, 2013 to June 30, 2015	0.00%	0.00%	4.68%	0.00%	0.00%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Rainier Cemetery District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$61,160	$50,423
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(93,313)	(90,545)
Allocated pooled OPSRP UAL	655	486
Side account	0	0
Net unfunded pension actuarial accrued liability	(31,498)	(39,636)
Combined valuation payroll	38,365	39,147
Net pension UAL as a percentage of payroll	(82%)	(101%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(20.92%)	(19.06%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$994	$1,408
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$0**	**$0**		**$0**	**$0**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.15%**			**8.96%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($90,545)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(11.02%)
B. Actual employer payroll	18,082
C. Payment to transition liability/(surplus)	(1,902)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(15.07%)
B. Actual employer payroll	18,207
C. Payment to transition liability/(surplus)	(2,242)
4. Supplemental payment to transition liability	0
5. Interest	(6,912)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($93,313)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(93,313)	(90,545)
2. Combined valuation payroll	38,365	39,147
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(20.92%)**	**(19.06%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	38,365	39,147
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Redmond Fire & Rescue/2590
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Redmond Fire & Rescue/2590

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Redmond Fire & Rescue/2590

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Redmond Fire & Rescue -- #2590

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Redmond Fire & Rescue to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Redmond Fire & Rescue.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Redmond Fire & Rescue

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.80%	5.78%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(5.70%)	(5.70%)	(5.70%)	(5.70%)	(5.70%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.61%**	**10.59%**	**19.91%**	**11.08%**	**13.81%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.20%**	**11.18%**	**20.50%**	**11.57%**	**14.30%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	N/A	N/A	N/A	N/A	N/A
July 1, 2013 to June 30, 2015	19.61%	10.59%	19.91%	11.08%	13.81%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Redmond Fire & Rescue

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$5,690,250	
Allocated pre-SLGRP pooled liability/(surplus)	0	
Transition liability/(surplus)	(2,367,037)	
Allocated pooled OPSRP UAL	60,903	
Side account	0	
Net unfunded pension actuarial accrued liability	3,384,116	
Combined valuation payroll	3,569,453	
Net pension UAL as a percentage of payroll	95%	
Pre-SLGRP pooled rate	0.00%	
Transition rate	(5.70%)	
Side account rate relief	0.00%	
Allocated pooled RHIA UAL	$92,468	
Allocated pooled RHIPA UAL	$0	

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	298.7
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$88,256	$5,101	0.00%	$0	$0
Tier 2 General Service	10.42%	0	0	0.00%	0	0
Total General Service		**88,256**	**5,101**		**0**	**0**
Tier 1 Police & Fire	15.06%	895,147	134,809	0.00%	0	0
Tier 2 Police & Fire	15.12%	1,729,137	261,446	0.00%	0	0
Total Police & Fire		**2,624,284**	**396,255**		**0**	**0**
Total		**$2,712,540**	**$401,356**		**$0**	**$0**
Employer normal cost rate						
General Service			**5.78%**			**0.00%**
Police & Fire			**15.10%**			**0.00%**
Aggregate (Default)			**14.80%**			**0.00%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	1,765,257
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	(2,367,037)
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($2,367,037)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(2,367,037)	0
2. Combined valuation payroll	3,569,453	0
3. Regular amortization factor	11.626	0.000
4. **Total transition liability/(surplus) rate**	**(5.70%)**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	3,569,453	0
3. Amortization factor	11.626	0.000
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Rogue Community College/2922
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Rogue Community College/2922

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Rogue Community College/2922

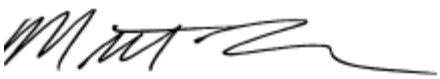
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Rogue Community College -- #2922

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Rogue Community College to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Rogue Community College.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Rogue Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.07%	8.07%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	1.86%	1.86%	1.86%	1.86%	1.86%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(7.31%)	(7.31%)	(7.31%)	(7.31%)	(7.31%)
Net pension contribution rate	**13.13%**	**13.13%**	**20.15%**	**11.33%**	**14.06%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.72%**	**13.72%**	**20.74%**	**11.82%**	**14.55%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	7.83%	7.83%	15.49%	6.26%	8.97%
July 1, 2013 to June 30, 2015	13.13%	13.13%	20.15%	11.33%	14.06%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Rogue Community College

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$30,819,539	$25,874,888
Allocated pre-SLGRP pooled liability/(surplus)	4,188,653	4,405,658
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	329,865	249,426
Side account	16,425,545	17,941,737
Net unfunded pension actuarial accrued liability	18,912,512	12,588,235
Combined valuation payroll	19,332,877	20,088,670
Net pension UAL as a percentage of payroll	98%	63%
Pre-SLGRP pooled rate	1.86%	1.81%
Transition rate	0.00%	0.00%
Side account rate relief	(7.31%)	(7.36%)
Allocated pooled RHIA UAL	$500,828	$722,759
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$126,008,735	$7,283,305	5.65%	$135,189,476	$7,638,205
Tier 2 General Service	10.42%	123,113,364	12,828,413	10.34%	125,634,641	12,990,622
Total General Service		**249,122,099**	**20,111,718**		**260,824,117**	**20,628,827**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$249,122,099**	**$20,111,718**		**$260,824,117**	**$20,628,827**
Employer normal cost rate						
General Service			**8.07%**			**7.91%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.07%**			**7.91%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	403,407,903	413,952,327
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$17,941,737**	**$17,941,737**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(2,003,545)	(2,003,545)
5. Side account earnings during 2011		488,353	488,353
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$16,425,545**	**$16,425,545**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$16,425,545	$17,941,737
Side Account 2	0	0
Side Account 3	0	0
Total	**$16,425,545**	**$17,941,737**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$16,425,545	$17,941,737
2. Combined valuation payroll	19,332,877	20,088,670
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(7.31%)	(7.36%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Rogue River Fire District/2549
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Rogue River Fire District/2549

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Rogue River Fire District/2549

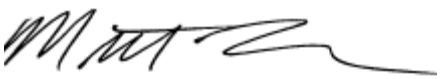
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Rogue River Fire District -- #2549

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Rogue River Fire District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Rogue River Fire District.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Rogue River Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.10%	7.89%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(4.68%)	(4.68%)	(4.68%)	(4.68%)	(4.68%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**18.17%**	**11.96%**	**19.16%**	**10.34%**	**13.07%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.76%**	**12.55%**	**19.75%**	**10.83%**	**13.56%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.37%	7.54%	15.28%	6.01%	8.72%
July 1, 2013 to June 30, 2015	18.17%	11.96%	19.16%	10.34%	13.07%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Rogue River Fire District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,462,518	$1,064,543
Allocated pre-SLGRP pooled liability/(surplus)	(187,204)	(169,905)
Transition liability/(surplus)	(499,638)	(504,698)
Allocated pooled OPSRP UAL	15,653	10,262
Side account	0	0
Net unfunded pension actuarial accrued liability	791,329	400,202
Combined valuation payroll	917,427	826,487
Net pension UAL as a percentage of payroll	86%	48%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(4.68%)	(5.03%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$23,766	$29,736
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$47,249	$2,731	5.65%	$45,333	$2,561
Tier 2 General Service	10.42%	39,551	4,121	10.34%	37,983	3,927
Total General Service		**86,800**	**6,852**		**83,316**	**6,488**
Tier 1 Police & Fire	15.06%	287,105	43,238	14.74%	288,240	42,487
Tier 2 Police & Fire	15.12%	260,614	39,405	15.03%	260,553	39,161
Total Police & Fire		**547,719**	**82,643**		**548,793**	**81,648**
Total		**$634,519**	**$89,495**		**$632,109**	**$88,136**
Employer normal cost rate						
General Service			**7.89%**			**7.79%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**14.10%**			**13.94%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($504,698)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(4.74%)
B. Actual employer payroll	441,635
C. Payment to transition liability/(surplus)	(20,934)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.60%)
B. Actual employer payroll	459,512
C. Payment to transition liability/(surplus)	(21,136)
4. Supplemental payment to transition liability	0
5. Interest	(37,010)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($499,638)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(499,638)	(504,698)
2. Combined valuation payroll	917,427	826,487
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.68%)**	**(5.03%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	917,427	826,487
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Rogue River Valley Irrigation District/2585
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Rogue River Valley Irrigation District/2585

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Rogue River Valley Irrigation District/2585

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Rogue River Valley Irrigation District -- #2585

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Rogue River Valley Irrigation District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Rogue River Valley Irrigation District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Rogue River Valley Irrigation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.18%	9.18%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	8.72%	8.72%	8.72%	8.72%	8.72%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**28.41%**	**28.41%**	**34.32%**	**25.50%**	**28.23%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**29.00%**	**29.00%**	**34.91%**	**25.99%**	**28.72%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	25.94%	25.94%	32.53%	23.30%	26.01%
July 1, 2013 to June 30, 2015	28.41%	28.41%	34.32%	25.50%	28.23%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Rogue River Valley Irrigation District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$414,856	$335,074
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	263,801	295,259
Allocated pooled OPSRP UAL	4,440	3,230
Side account	0	0
Net unfunded pension actuarial accrued liability	683,097	633,563
Combined valuation payroll	260,236	260,144
Net pension UAL as a percentage of payroll	262%	244%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	8.72%	9.35%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$6,742	$9,360
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$37,678	$2,178	5.65%	$36,898	$2,085
Tier 2 General Service	10.42%	103,527	10,788	10.34%	98,883	10,225
Total General Service		**141,205**	**12,966**		**135,781**	**12,310**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$141,205**	**$12,966**		**$135,781**	**$12,310**
Employer normal cost rate						
General Service			**9.18%**			**9.07%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.18%**			**9.07%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$295,259
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	29.69%
B. Actual employer payroll	124,370
C. Payment to transition liability/(surplus)	36,926
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	10.99%
B. Actual employer payroll	128,061
C. Payment to transition liability/(surplus)	14,073
4. Supplemental payment to transition liability	0
5. Interest	19,541
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$263,801**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	263,801	295,259
2. Combined valuation payroll	260,236	260,144
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**8.72%**	**9.35%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	260,236	260,144
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

Roseburg Urban Sanitary Authority/2669
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Roseburg Urban Sanitary Authority/2669

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Roseburg Urban Sanitary Authority/2669

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Roseburg Urban Sanitary Authority -- #2669

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Roseburg Urban Sanitary Authority to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Roseburg Urban Sanitary Authority.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Roseburg Urban Sanitary Authority

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.16%	7.16%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(5.00%)	(5.00%)	(5.00%)	(5.00%)	(5.00%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**12.67%**	**12.67%**	**20.60%**	**11.78%**	**14.51%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.26%**	**13.26%**	**21.19%**	**12.27%**	**15.00%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	8.12%	8.12%	16.31%	7.08%	9.79%
July 1, 2013 to June 30, 2015	12.67%	12.67%	20.60%	11.78%	14.51%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Roseburg Urban Sanitary Authority

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,369,303	$1,067,112
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(499,617)	(494,282)
Allocated pooled OPSRP UAL	14,656	10,287
Side account	0	0
Net unfunded pension actuarial accrued liability	884,342	583,117
Combined valuation payroll	858,954	828,481
Net pension UAL as a percentage of payroll	103%	70%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.00%)	(4.92%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$22,252	$29,807
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$416,990	$24,102	5.65%	$396,005	$22,374
Tier 2 General Service	10.42%	176,516	18,393	10.34%	169,604	17,537
Total General Service		**593,506**	**42,495**		**565,609**	**39,911**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$593,506**	**$42,495**		**$565,609**	**$39,911**
Employer normal cost rate						
General Service			**7.16%**			**7.06%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.16%**			**7.06%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($494,282)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.44%)
B. Actual employer payroll	409,467
C. Payment to transition liability/(surplus)	(9,991)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.23%)
B. Actual employer payroll	414,591
C. Payment to transition liability/(surplus)	(21,683)
4. Supplemental payment to transition liability	0
5. Interest	(37,009)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($499,617)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(499,617)	(494,282)
2. Combined valuation payroll	858,954	828,481
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(5.00%)**	**(4.92%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	858,954	828,481
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Rural Road Assessment District #3/2802
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Rural Road Assessment District #3/2802

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Rural Road Assessment District #3/2802

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Rural Road Assessment District #3 -- #2802

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Rural Road Assessment District #3 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Rural Road Assessment District #3.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Rural Road Assessment District #3

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.17%	0.17%	0.17%	0.17%	0.17%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.34%**	**19.34%**	**24.01%**	**15.19%**	**17.92%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.93%**	**19.93%**	**24.60%**	**15.68%**	**18.41%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.57%	14.57%	20.04%	10.81%	13.52%
July 1, 2013 to June 30, 2015	19.34%	19.34%	24.01%	15.19%	17.92%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Rural Road Assessment District #3

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$331,341	$260,884
Allocated pre-SLGRP pooled liability/(surplus)	(42,412)	(41,638)
Transition liability/(surplus)	4,073	4,166
Allocated pooled OPSRP UAL	3,546	2,515
Side account	0	0
Net unfunded pension actuarial accrued liability	296,548	225,927
Combined valuation payroll	207,848	202,544
Net pension UAL as a percentage of payroll	143%	112%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.17%	0.17%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$5,384	$7,287
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	94,345	9,831	10.34%	92,563	9,571
Total General Service		**94,345**	**9,831**		**92,563**	**9,571**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$94,345**	**$9,831**		**$92,563**	**$9,571**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$4,166
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.20%
B. Actual employer payroll	100,044
C. Payment to transition liability/(surplus)	200
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.20%
B. Actual employer payroll	97,655
C. Payment to transition liability/(surplus)	195
4. Supplemental payment to transition liability	0
5. Interest	302
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$4,073**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	4,073	4,166
2. Combined valuation payroll	207,848	202,544
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.17%**	**0.17%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	207,848	202,544
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Sandy Fire Department/2551
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Sandy Fire Department/2551

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Sandy Fire Department/2551

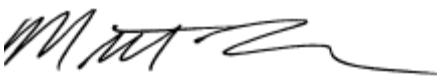
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Sandy Fire Department -- #2551

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Sandy Fire Department to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Sandy Fire Department.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Sandy Fire Department

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.58%	10.42%	15.08%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(4.36%)	(4.36%)	(4.36%)	(4.36%)	(4.36%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**18.97%**	**14.81%**	**19.47%**	**10.66%**	**13.39%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.56%**	**15.40%**	**20.06%**	**11.15%**	**13.88%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.86%	9.94%	15.52%	6.18%	8.89%
July 1, 2013 to June 30, 2015	18.97%	14.81%	19.47%	10.66%	13.39%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Sandy Fire Department

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$2,041,673	$1,685,824
Allocated pre-SLGRP pooled liability/(surplus)	(261,337)	(269,063)
Transition liability/(surplus)	(649,590)	(656,820)
Allocated pooled OPSRP UAL	21,852	16,251
Side account	0	0
Net unfunded pension actuarial accrued liability	1,152,598	776,192
Combined valuation payroll	1,280,727	1,308,835
Net pension UAL as a percentage of payroll	90%	59%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(4.36%)	(4.14%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$33,178	$47,090
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	120,883	12,596	10.34%	136,560	14,120
Total General Service		**120,883**	**12,596**		**136,560**	**14,120**
Tier 1 Police & Fire	15.06%	626,210	94,307	14.74%	643,685	94,879
Tier 2 Police & Fire	15.12%	369,960	55,938	15.03%	373,968	56,207
Total Police & Fire		**996,170**	**150,245**		**1,017,653**	**151,086**
Total		**$1,117,053**	**$162,841**		**$1,154,213**	**$165,206**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.08%**			**14.85%**
Aggregate (Default)			**14.58%**			**14.31%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($656,820)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(4.49%)
B. Actual employer payroll	619,560
C. Payment to transition liability/(surplus)	(27,818)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.43%)
B. Actual employer payroll	621,439
C. Payment to transition liability/(surplus)	(27,530)
4. Supplemental payment to transition liability	0
5. Interest	(48,118)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($649,590)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(649,590)	(656,820)
2. Combined valuation payroll	1,280,727	1,308,835
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.36%)**	**(4.14%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,280,727	1,308,835
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Santa Clara Rural Fire Protection District/2544
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Santa Clara Rural Fire Protection District/2544

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Santa Clara Rural Fire Protection District/2544

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Santa Clara Rural Fire Protection District -- #2544

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Santa Clara Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Santa Clara Rural Fire Protection District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Santa Clara Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.06%	7.92%	15.06%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(3.28%)	(3.28%)	(3.28%)	(3.28%)	(3.28%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**22.29%**	**15.15%**	**22.29%**	**13.50%**	**16.23%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**22.88%**	**15.74%**	**22.88%**	**13.99%**	**16.72%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	17.96%	9.76%	17.96%	8.31%	11.02%
July 1, 2013 to June 30, 2015	22.29%	15.15%	22.29%	13.50%	16.23%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Santa Clara Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$177,168	$139,595
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(42,418)	(50,726)
Allocated pooled OPSRP UAL	1,896	1,346
Side account	0	0
Net unfunded pension actuarial accrued liability	136,646	90,215
Combined valuation payroll	111,136	108,378
Net pension UAL as a percentage of payroll	123%	83%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.28%)	(3.86%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,879	$3,899
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	64,532	9,719	14.74%	63,707	9,390
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**64,532**	**9,719**		**63,707**	**9,390**
Total		**$64,532**	**$9,719**		**$63,707**	**$9,390**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.06%**			**14.74%**
Aggregate (Default)			**15.06%**			**14.74%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($50,726)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(8.31%)
B. Actual employer payroll	93,060
C. Payment to transition liability/(surplus)	(7,733)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.00%)
B. Actual employer payroll	92,909
C. Payment to transition liability/(surplus)	(3,717)
4. Supplemental payment to transition liability	0
5. Interest	(3,142)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($42,418)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(42,418)	(50,726)
2. Combined valuation payroll	111,136	108,378
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.28%)**	**(3.86%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	111,136	108,378
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Scappoose Public Library/2709
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Scappoose Public Library/2709

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Scappoose Public Library/2709

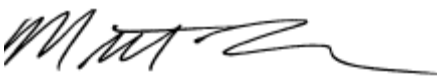
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Scappoose Public Library -- #2709

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Scappoose Public Library to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Scappoose Public Library.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Scappoose Public Library

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.78%	5.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(12.81%)	(12.81%)	(12.81%)	(12.81%)	(12.81%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**3.48%**	**3.48%**	**12.79%**	**3.97%**	**6.70%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**4.07%**	**4.07%**	**13.38%**	**4.46%**	**7.19%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	0.00%	0.00%	1.83%	0.00%	0.00%
July 1, 2013 to June 30, 2015	3.48%	3.48%	12.79%	3.97%	6.70%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Scappoose Public Library

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$148,149	$132,013
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(138,361)	(138,567)
Allocated pooled OPSRP UAL	1,586	1,273
Side account	0	0
Net unfunded pension actuarial accrued liability	11,374	(5,281)
Combined valuation payroll	92,933	102,492
Net pension UAL as a percentage of payroll	12%	(5%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(12.81%)	(11.14%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,407	$3,688
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$53,282	$3,080	5.65%	$53,755	$3,037
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**53,282**	**3,080**		**53,755**	**3,037**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$53,282**	**$3,080**		**$53,755**	**$3,037**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.78%**			**5.65%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($138,567)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(11.91%)
B. Actual employer payroll	51,658
C. Payment to transition liability/(surplus)	(5,817)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(11.98%)
B. Actual employer payroll	38,314
C. Payment to transition liability/(surplus)	(4,638)
4. Supplemental payment to transition liability	0
5. Interest	(10,249)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($138,361)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(138,361)	(138,567)
2. Combined valuation payroll	92,933	102,492
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(12.81%)**	**(11.14%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	92,933	102,492
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

Scappoose Rural Fire Protection District/2739
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Scappoose Rural Fire Protection District/2739

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012

Scappoose Rural Fire Protection District/2739

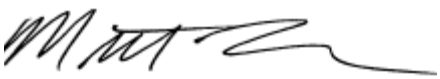
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



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Consulting Actuary

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The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Scappoose Rural Fire Protection District -- #2739

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Scappoose Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Scappoose Rural Fire Protection District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Scappoose Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.10%	7.92%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.74%)	(0.74%)	(0.74%)	(0.74%)	(0.74%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**23.11%**	**15.93%**	**23.11%**	**14.28%**	**17.01%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**23.70%**	**16.52%**	**23.70%**	**14.77%**	**17.50%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	19.01%	11.24%	19.01%	9.79%	12.50%
July 1, 2013 to June 30, 2015	23.11%	15.93%	23.11%	14.28%	17.01%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Scappoose Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,848,889	$1,493,684
Allocated pre-SLGRP pooled liability/(surplus)	(236,661)	(238,397)
Transition liability/(surplus)	(99,131)	(103,438)
Allocated pooled OPSRP UAL	19,789	14,399
Side account	0	0
Net unfunded pension actuarial accrued liability	1,532,886	1,166,248
Combined valuation payroll	1,159,795	1,159,662
Net pension UAL as a percentage of payroll	132%	101%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.74%)	(0.74%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$30,045	$41,723
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	322,987	48,642	14.74%	408,072	60,150
Tier 2 Police & Fire	15.12%	481,502	72,803	15.03%	430,809	64,751
Total Police & Fire		**804,489**	**121,445**		**838,881**	**124,901**
Total		**$804,489**	**$121,445**		**$838,881**	**$124,901**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.10%**			**14.89%**
Aggregate (Default)			**15.10%**			**14.89%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($103,438)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.14%)
B. Actual employer payroll	602,323
C. Payment to transition liability/(surplus)	(6,866)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.82%)
B. Actual employer payroll	583,360
C. Payment to transition liability/(surplus)	(4,784)
4. Supplemental payment to transition liability	0
5. Interest	(7,343)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($99,131)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(99,131)	(103,438)
2. Combined valuation payroll	1,159,795	1,159,662
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.74%)**	**(0.74%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,159,795	1,159,662
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Scio Fire District/2605
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Scio Fire District/2605

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
Scio Fire District/2605

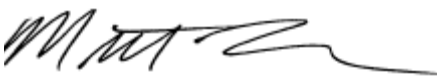
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Scio Fire District -- #2605

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Scio Fire District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Scio Fire District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Scio Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.78%	5.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(48.41%)	(48.41%)	(48.41%)	(48.41%)	(48.41%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%	0.00%	0.00%
July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%	0.00%	0.00%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Scio Fire District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$42,224	$25,266
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(149,067)	(151,615)
Allocated pooled OPSRP UAL	452	244
Side account	0	0
Net unfunded pension actuarial accrued liability	(106,391)	(126,105)
Combined valuation payroll	26,487	19,616
Net pension UAL as a percentage of payroll	(402%)	(643%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(48.41%)	(63.70%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$686	$706
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$26,487	$1,531	5.65%	$15,738	$889
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**26,487**	**1,531**		**15,738**	**889**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$26,487**	**$1,531**		**$15,738**	**$889**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.78%**			**5.65%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($151,615)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(8.02%)
B. Actual employer payroll	54,580
C. Payment to transition liability/(surplus)	(4,377)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(15.07%)
B. Actual employer payroll	61,130
C. Payment to transition liability/(surplus)	(9,213)
4. Supplemental payment to transition liability	0
5. Interest	(11,042)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($149,067)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(149,067)	(151,615)
2. Combined valuation payroll	26,487	19,616
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(48.41%)**	**(63.70%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	26,487	19,616
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Seal Rock Rural Fire Protection District/2786
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Seal Rock Rural Fire Protection District/2786

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012

Seal Rock Rural Fire Protection District/2786

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Seal Rock Rural Fire Protection District -- #2786

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Seal Rock Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Seal Rock Rural Fire Protection District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Seal Rock Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.12%	7.92%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(13.60%)	(13.60%)	(13.60%)	(13.60%)	(13.60%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**10.27%**	**3.07%**	**10.27%**	**1.42%**	**4.15%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**10.86%**	**3.66%**	**10.86%**	**1.91%**	**4.64%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	13.25%	11.94%	19.72%	10.49%	13.20%
July 1, 2013 to June 30, 2015	10.27%	3.07%	10.27%	1.42%	4.15%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Seal Rock Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$62,832	$0
Allocated pre-SLGRP pooled liability/(surplus)	(8,043)	0
Transition liability/(surplus)	(62,335)	(58,432)
Allocated pooled OPSRP UAL	672	0
Side account	0	0
Net unfunded pension actuarial accrued liability	(6,874)	(58,432)
Combined valuation payroll	39,414	0
Net pension UAL as a percentage of payroll	(17%)	0%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(13.60%)	0.00%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,021	$0
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	39,414	5,959	15.03%	0	0
Total Police & Fire		**39,414**	**5,959**		**0**	**0**
Total		**$39,414**	**$5,959**		**$0**	**$0**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.12%**			**14.88%**
Aggregate (Default)			**15.12%**			**8.96%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($58,432)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	13,750
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(7.79%)
B. Actual employer payroll	9,167
C. Payment to transition liability/(surplus)	(714)
4. Supplemental payment to transition liability	0
5. Interest	(4,617)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($62,335)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(62,335)	(58,432)
2. Combined valuation payroll	39,414	0
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(13.60%)**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	39,414	0
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Seal Rock Water District/2734
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Seal Rock Water District/2734

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Seal Rock Water District/2734

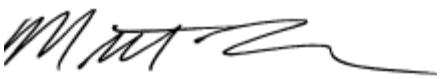
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Seal Rock Water District -- #2734

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Seal Rock Water District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Seal Rock Water District.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Seal Rock Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.52%	8.52%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(8.19%)	(8.19%)	(8.19%)	(8.19%)	(8.19%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**10.84%**	**10.84%**	**17.41%**	**8.59%**	**11.32%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**11.43%**	**11.43%**	**18.00%**	**9.08%**	**11.81%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	6.86%	6.86%	14.45%	5.22%	7.93%
July 1, 2013 to June 30, 2015	10.84%	10.84%	17.41%	8.59%	11.32%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Seal Rock Water District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$473,371	$365,541
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(282,736)	(291,026)
Allocated pooled OPSRP UAL	5,067	3,524
Side account	0	0
Net unfunded pension actuarial accrued liability	195,702	78,039
Combined valuation payroll	296,942	283,798
Net pension UAL as a percentage of payroll	66%	28%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(8.19%)	(8.45%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$7,692	$10,211
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$38,134	$2,204	5.65%	$42,231	$2,386
Tier 2 General Service	10.42%	55,084	5,740	10.34%	40,094	4,146
Total General Service		**93,218**	**7,944**		**82,325**	**6,532**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$93,218**	**$7,944**		**$82,325**	**$6,532**
Employer normal cost rate						
General Service			**8.52%**			**7.93%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.52%**			**7.93%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($291,026)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(10.08%)
B. Actual employer payroll	170,588
C. Payment to transition liability/(surplus)	(17,781)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(7.09%)
B. Actual employer payroll	161,521
C. Payment to transition liability/(surplus)	(11,452)
4. Supplemental payment to transition liability	0
5. Interest	(20,943)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($282,736)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(282,736)	(291,026)
2. Combined valuation payroll	296,942	283,798
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(8.19%)**	**(8.45%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	296,942	283,798
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Sheridan Fire District/2630
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Sheridan Fire District/2630

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Sheridan Fire District/2630

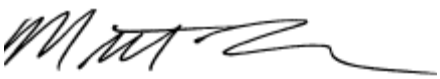
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Sheridan Fire District -- #2630

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Sheridan Fire District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Sheridan Fire District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Sheridan Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.06%	7.92%	15.06%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(5.64%)	(5.64%)	(5.64%)	(5.64%)	(5.64%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.93%**	**12.79%**	**19.93%**	**11.14%**	**13.87%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.52%**	**13.38%**	**20.52%**	**11.63%**	**14.36%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	18.42%	10.56%	18.42%	9.11%	11.82%
July 1, 2013 to June 30, 2015	19.93%	12.79%	19.93%	11.14%	13.87%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Sheridan Fire District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$379,284	$296,505
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(155,997)	(156,695)
Allocated pooled OPSRP UAL	4,060	2,858
Side account	0	0
Net unfunded pension actuarial accrued liability	227,347	142,668
Combined valuation payroll	237,922	230,200
Net pension UAL as a percentage of payroll	96%	62%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.64%)	(5.61%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$6,163	$8,282
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	58,430	8,800	14.74%	52,844	7,789
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**58,430**	**8,800**		**52,844**	**7,789**
Total		**$58,430**	**$8,800**		**$52,844**	**$7,789**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.06%**			**14.74%**
Aggregate (Default)			**15.06%**			**14.74%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($156,695)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(6.13%)
B. Actual employer payroll	132,552
C. Payment to transition liability/(surplus)	(8,125)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(3.20%)
B. Actual employer payroll	128,984
C. Payment to transition liability/(surplus)	(4,128)
4. Supplemental payment to transition liability	0
5. Interest	(11,555)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($155,997)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(155,997)	(156,695)
2. Combined valuation payroll	237,922	230,200
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(5.64%)**	**(5.61%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	237,922	230,200
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

Sherman County/2016
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Sherman County/2016

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012
Sherman County/2016

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Sherman County -- #2016

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Sherman County to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Sherman County.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Sherman County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.82%	8.63%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	1.70%	1.70%	1.70%	1.70%	1.70%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**20.27%**	**19.08%**	**25.54%**	**16.72%**	**19.45%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.86%**	**19.67%**	**26.13%**	**17.21%**	**19.94%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.92%	14.71%	21.69%	12.68%	15.39%
July 1, 2013 to June 30, 2015	20.27%	19.08%	25.54%	16.72%	19.45%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Sherman County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$3,482,523	$2,892,095
Allocated pre-SLGRP pooled liability/(surplus)	(445,768)	(461,588)
Transition liability/(surplus)	432,383	448,983
Allocated pooled OPSRP UAL	37,274	27,879
Side account	0	0
Net unfunded pension actuarial accrued liability	3,506,412	2,907,369
Combined valuation payroll	2,184,562	2,245,356
Net pension UAL as a percentage of payroll	161%	129%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	1.70%	1.65%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$56,592	$80,784
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$447,619	$25,872	5.65%	$482,801	$27,278
Tier 2 General Service	10.42%	711,416	74,130	10.34%	670,036	69,282
Total General Service		**1,159,035**	**100,002**		**1,152,837**	**96,560**
Tier 1 Police & Fire	15.06%	126,080	18,988	14.74%	118,066	17,403
Tier 2 Police & Fire	15.12%	134,881	20,394	15.03%	185,726	27,915
Total Police & Fire		**260,961**	**39,382**		**303,792**	**45,318**
Total		**$1,419,996**	**$139,384**		**$1,456,629**	**$141,878**
Employer normal cost rate						
General Service			**8.63%**			**8.38%**
Police & Fire			**15.09%**			**14.92%**
Aggregate (Default)			**9.82%**			**9.74%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$448,983
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	2.22%
B. Actual employer payroll	1,112,776
C. Payment to transition liability/(surplus)	24,704
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	2.07%
B. Actual employer payroll	1,155,741
C. Payment to transition liability/(surplus)	23,924
4. Supplemental payment to transition liability	0
5. Interest	32,028
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$432,383**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	432,383	448,983
2. Combined valuation payroll	2,184,562	2,245,356
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**1.70%**	**1.65%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	2,184,562	2,245,356
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Silver Falls Library District/2790
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Silver Falls Library District/2790

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Silver Falls Library District/2790

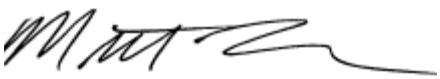
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Silver Falls Library District -- #2790

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Silver Falls Library District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Silver Falls Library District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Silver Falls Library District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.05%	9.05%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(2.68%)	(2.68%)	(2.68%)	(2.68%)	(2.68%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.88%**	**16.88%**	**22.92%**	**14.10%**	**16.83%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.47%**	**17.47%**	**23.51%**	**14.59%**	**17.32%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.96%	11.96%	18.77%	9.54%	12.25%
July 1, 2013 to June 30, 2015	16.88%	16.88%	22.92%	14.10%	16.83%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Silver Falls Library District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$540,282	$472,498
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(105,681)	(111,558)
Allocated pooled OPSRP UAL	5,783	4,555
Side account	0	0
Net unfunded pension actuarial accrued liability	440,384	365,495
Combined valuation payroll	338,915	366,837
Net pension UAL as a percentage of payroll	130%	100%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.68%)	(2.51%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$8,780	$13,198
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$52,905	$3,058	5.65%	$71,865	$4,060
Tier 2 General Service	10.42%	126,673	13,199	10.34%	174,739	18,068
Total General Service		**179,578**	**16,257**		**246,604**	**22,128**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$179,578**	**$16,257**		**$246,604**	**$22,128**
Employer normal cost rate						
General Service			**9.05%**			**8.97%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.05%**			**8.97%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($111,558)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(4.44%)
B. Actual employer payroll	188,126
C. Payment to transition liability/(surplus)	(8,353)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.77%)
B. Actual employer payroll	193,226
C. Payment to transition liability/(surplus)	(5,352)
4. Supplemental payment to transition liability	0
5. Interest	(7,828)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($105,681)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(105,681)	(111,558)
2. Combined valuation payroll	338,915	366,837
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.68%)**	**(2.51%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	338,915	366,837
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Silverton Fire District/2659
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Silverton Fire District/2659

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Silverton Fire District/2659

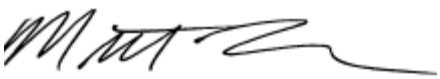
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Silverton Fire District -- #2659

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Silverton Fire District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Silverton Fire District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Silverton Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	13.75%	5.78%	15.08%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(2.76%)	(2.76%)	(2.76%)	(2.76%)	(2.76%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.74%**	**11.77%**	**21.07%**	**12.26%**	**14.99%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.33%**	**12.36%**	**21.66%**	**12.75%**	**15.48%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.52%	7.33%	16.99%	7.66%	10.37%
July 1, 2013 to June 30, 2015	19.74%	11.77%	21.07%	12.26%	14.99%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Silverton Fire District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$590,080	$410,154
Allocated pre-SLGRP pooled liability/(surplus)	(75,531)	(65,462)
Transition liability/(surplus)	(118,978)	(122,133)
Allocated pooled OPSRP UAL	6,316	3,954
Side account	0	0
Net unfunded pension actuarial accrued liability	401,887	226,513
Combined valuation payroll	370,153	318,434
Net pension UAL as a percentage of payroll	109%	71%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(2.76%)	(3.16%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$9,589	$11,457
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$53,175	$3,074	5.65%	$23,833	$1,347
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**53,175**	**3,074**		**23,833**	**1,347**
Tier 1 Police & Fire	15.06%	193,849	29,194	14.74%	184,538	27,201
Tier 2 Police & Fire	15.12%	123,129	18,617	15.03%	110,063	16,542
Total Police & Fire		**316,978**	**47,811**		**294,601**	**43,743**
Total		**$370,153**	**$50,885**		**$318,434**	**$45,090**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.08%**			**14.85%**
Aggregate (Default)			**13.75%**			**14.16%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($122,133)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.85%)
B. Actual employer payroll	168,758
C. Payment to transition liability/(surplus)	(6,497)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.95%)
B. Actual employer payroll	185,435
C. Payment to transition liability/(surplus)	(5,471)
4. Supplemental payment to transition liability	0
5. Interest	(8,813)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($118,978)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(118,978)	(122,133)
2. Combined valuation payroll	370,153	318,434
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.76%)**	**(3.16%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	370,153	318,434
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Siuslaw Public Library/2692
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
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In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Siuslaw Public Library/2692

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Siuslaw Public Library -- #2692

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Siuslaw Public Library to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Siuslaw Public Library.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Siuslaw Public Library

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.31%	9.31%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(1.98%)	(1.98%)	(1.98%)	(1.98%)	(1.98%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.08%**	**16.08%**	**21.86%**	**13.04%**	**15.77%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.67%**	**16.67%**	**22.45%**	**13.53%**	**16.26%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.42%	11.42%	17.86%	8.63%	11.34%
July 1, 2013 to June 30, 2015	16.08%	16.08%	21.86%	13.04%	15.77%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Siuslaw Public Library

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$594,470	$484,785
Allocated pre-SLGRP pooled liability/(surplus)	(76,093)	(77,373)
Transition liability/(surplus)	(85,913)	(87,070)
Allocated pooled OPSRP UAL	6,363	4,673
Side account	0	0
Net unfunded pension actuarial accrued liability	438,827	325,015
Combined valuation payroll	372,907	376,376
Net pension UAL as a percentage of payroll	118%	86%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(1.98%)	(1.91%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$9,660	$13,541
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$80,088	$4,629	5.65%	$78,321	$4,425
Tier 2 General Service	10.42%	256,150	26,691	10.34%	253,601	26,222
Total General Service		**336,238**	**31,320**		**331,922**	**30,647**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$336,238**	**$31,320**		**$331,922**	**$30,647**
Employer normal cost rate						
General Service			**9.31%**			**9.23%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.31%**			**9.23%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($87,070)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.11%)
B. Actual employer payroll	182,644
C. Payment to transition liability/(surplus)	(3,854)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.98%)
B. Actual employer payroll	185,235
C. Payment to transition liability/(surplus)	(3,667)
4. Supplemental payment to transition liability	0
5. Interest	(6,364)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($85,913)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(85,913)	(87,070)
2. Combined valuation payroll	372,907	376,376
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.98%)**	**(1.91%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	372,907	376,376
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Siuslaw Rural Fire Protection District #1/2794
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Siuslaw Rural Fire Protection District #1/2794

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Siuslaw Rural Fire Protection District #1/2794

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Siuslaw Rural Fire Protection District #1 -- #2794

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Siuslaw Rural Fire Protection District #1 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Siuslaw Rural Fire Protection District #1.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Siuslaw Rural Fire Protection District #1

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	13.42%	10.42%	15.08%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(1.55%)	(1.55%)	(1.55%)	(1.55%)	(1.55%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**22.38%**	**19.38%**	**24.04%**	**15.23%**	**17.96%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**22.97%**	**19.97%**	**24.63%**	**15.72%**	**18.45%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.55%	11.98%	17.58%	8.22%	10.93%
July 1, 2013 to June 30, 2015	22.38%	19.38%	24.04%	15.23%	17.96%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Siuslaw Rural Fire Protection District #1

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$556,995	$461,379
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(63,012)	(90,534)
Allocated pooled OPSRP UAL	5,962	4,448
Side account	0	0
Net unfunded pension actuarial accrued liability	499,945	375,293
Combined valuation payroll	349,399	358,204
Net pension UAL as a percentage of payroll	143%	105%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.55%)	(2.08%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$9,051	$12,888
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	94,670	9,865	10.34%	89,621	9,267
Total General Service		**94,670**	**9,865**		**89,621**	**9,267**
Tier 1 Police & Fire	15.06%	115,850	17,447	14.74%	109,533	16,145
Tier 2 Police & Fire	15.12%	55,789	8,435	15.03%	52,359	7,870
Total Police & Fire		**171,639**	**25,882**		**161,892**	**24,015**
Total		**$266,309**	**$35,747**		**$251,513**	**$33,282**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.08%**			**14.83%**
Aggregate (Default)			**13.42%**			**13.23%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($90,534)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(11.25%)
B. Actual employer payroll	207,499
C. Payment to transition liability/(surplus)	(23,344)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.09%)
B. Actual employer payroll	216,288
C. Payment to transition liability/(surplus)	(8,846)
4. Supplemental payment to transition liability	0
5. Interest	(4,668)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($63,012)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(63,012)	(90,534)
2. Combined valuation payroll	349,399	358,204
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.55%)**	**(2.08%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	349,399	358,204
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

South Suburban Sanitary District/2599
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
South Suburban Sanitary District/2599

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

South Suburban Sanitary District/2599

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

South Suburban Sanitary District -- #2599

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for South Suburban Sanitary District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to South Suburban Sanitary District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for South Suburban Sanitary District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.28%	7.28%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(2.22%)	(2.22%)	(2.22%)	(2.22%)	(2.22%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.57%**	**15.57%**	**23.38%**	**14.56%**	**17.29%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.16%**	**16.16%**	**23.97%**	**15.05%**	**17.78%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.37%	11.37%	19.66%	10.43%	13.14%
July 1, 2013 to June 30, 2015	15.57%	15.57%	23.38%	14.56%	17.29%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

South Suburban Sanitary District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$941,390	$897,771
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(152,627)	(154,978)
Allocated pooled OPSRP UAL	10,076	8,654
Side account	0	0
Net unfunded pension actuarial accrued liability	798,839	751,447
Combined valuation payroll	590,527	697,009
Net pension UAL as a percentage of payroll	135%	108%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.22%)	(1.83%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$15,298	$25,077
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$225,777	$13,050	5.65%	$219,229	$12,386
Tier 2 General Service	10.42%	107,357	11,187	10.34%	106,411	11,003
Total General Service		**333,134**	**24,237**		**325,640**	**23,389**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$333,134**	**$24,237**		**$325,640**	**$23,389**
Employer normal cost rate						
General Service			**7.28%**			**7.18%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.28%**			**7.18%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($154,978)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.33%)
B. Actual employer payroll	325,442
C. Payment to transition liability/(surplus)	(7,583)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.88%)
B. Actual employer payroll	323,105
C. Payment to transition liability/(surplus)	(6,074)
4. Supplemental payment to transition liability	0
5. Interest	(11,306)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($152,627)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(152,627)	(154,978)
2. Combined valuation payroll	590,527	697,009
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.22%)**	**(1.83%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	590,527	697,009
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Southwest Lincoln County Water District/2766
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Southwest Lincoln County Water District/2766

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Southwest Lincoln County Water District/2766

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Southwest Lincoln County Water District -- #2766

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Southwest Lincoln County Water District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Southwest Lincoln County Water District.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Southwest Lincoln County Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.41%	9.41%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(1.25%)	(1.25%)	(1.25%)	(1.25%)	(1.25%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.91%**	**16.91%**	**22.59%**	**13.77%**	**16.50%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.50%**	**17.50%**	**23.18%**	**14.26%**	**16.99%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.14%	12.14%	18.52%	9.29%	12.00%
July 1, 2013 to June 30, 2015	16.91%	16.91%	22.59%	13.77%	16.50%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Southwest Lincoln County Water District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$435,867	$323,661
Allocated pre-SLGRP pooled liability/(surplus)	(55,792)	(51,657)
Transition liability/(surplus)	(39,673)	(40,191)
Allocated pooled OPSRP UAL	4,665	3,120
Side account	0	0
Net unfunded pension actuarial accrued liability	345,067	234,933
Combined valuation payroll	273,416	251,283
Net pension UAL as a percentage of payroll	126%	93%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(1.25%)	(1.32%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$7,083	$9,041
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$51,819	$2,995	5.65%	$49,776	$2,812
Tier 2 General Service	10.42%	187,277	19,514	10.34%	176,988	18,301
Total General Service		**239,096**	**22,509**		**226,764**	**21,113**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$239,096**	**$22,509**		**$226,764**	**$21,113**
Employer normal cost rate						
General Service			**9.41%**			**9.31%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.41%**			**9.31%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($40,191)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.33%)
B. Actual employer payroll	128,969
C. Payment to transition liability/(surplus)	(1,715)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.32%)
B. Actual employer payroll	131,920
C. Payment to transition liability/(surplus)	(1,742)
4. Supplemental payment to transition liability	0
5. Interest	(2,939)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($39,673)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(39,673)	(40,191)
2. Combined valuation payroll	273,416	251,283
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.25%)**	**(1.32%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	273,416	251,283
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Southwestern Community College/2998
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Southwestern Community College/2998

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Southwestern Community College/2998

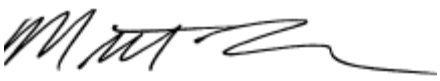
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Southwestern Community College -- #2998

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Southwestern Community College to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Southwestern Community College.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Southwestern Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.07%	8.07%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	1.86%	1.86%	1.86%	1.86%	1.86%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(9.49%)	(9.49%)	(9.49%)	(9.49%)	(9.49%)
Net pension contribution rate	**10.95%**	**10.95%**	**17.97%**	**9.15%**	**11.88%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**11.54%**	**11.54%**	**18.56%**	**9.64%**	**12.37%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	6.86%	6.86%	14.52%	5.29%	8.00%
July 1, 2013 to June 30, 2015	10.95%	10.95%	17.97%	9.15%	11.88%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Southwestern Community College

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$15,697,521	$14,668,327
Allocated pre-SLGRP pooled liability/(surplus)	2,133,435	2,497,542
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	168,012	141,398
Side account	10,865,153	11,525,951
Net unfunded pension actuarial accrued liability	7,133,815	5,781,316
Combined valuation payroll	9,846,943	11,388,153
Net pension UAL as a percentage of payroll	72%	51%
Pre-SLGRP pooled rate	1.86%	1.81%
Transition rate	0.00%	0.00%
Side account rate relief	(9.49%)	(8.34%)
Allocated pooled RHIA UAL	$255,090	$409,728
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$126,008,735	$7,283,305	5.65%	$135,189,476	$7,638,205
Tier 2 General Service	10.42%	123,113,364	12,828,413	10.34%	125,634,641	12,990,622
Total General Service		**249,122,099**	**20,111,718**		**260,824,117**	**20,628,827**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$249,122,099**	**$20,111,718**		**$260,824,117**	**$20,628,827**
Employer normal cost rate						
General Service			**8.07%**			**7.91%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.07%**			**7.91%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	403,407,903	413,952,327
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$11,525,951**	**$11,525,951**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(959,040)	(959,040)
5. Side account earnings during 2011		299,242	299,242
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$10,865,153**	**$10,865,153**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$10,865,153	$11,525,951
Side Account 2	0	0
Side Account 3	0	0
Total	**$10,865,153**	**$11,525,951**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$10,865,153	$11,525,951
2. Combined valuation payroll	9,846,943	11,388,153
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(9.49%)	(8.34%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Stanfield Fire District/2706
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Stanfield Fire District/2706

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Stanfield Fire District/2706

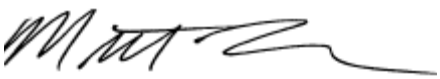
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Stanfield Fire District -- #2706

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Stanfield Fire District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Stanfield Fire District.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Stanfield Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.06%	7.92%	15.06%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(4.79%)	(4.79%)	(4.79%)	(4.79%)	(4.79%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.02%**	**11.88%**	**19.02%**	**10.23%**	**12.96%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.61%**	**12.47%**	**19.61%**	**10.72%**	**13.45%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.30%	7.10%	15.30%	5.65%	8.36%
July 1, 2013 to June 30, 2015	19.02%	11.88%	19.02%	10.23%	12.96%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Stanfield Fire District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$143,630	$117,259
Allocated pre-SLGRP pooled liability/(surplus)	(18,385)	(18,715)
Transition liability/(surplus)	(50,140)	(51,180)
Allocated pooled OPSRP UAL	1,537	1,130
Side account	0	0
Net unfunded pension actuarial accrued liability	76,642	48,494
Combined valuation payroll	90,098	91,037
Net pension UAL as a percentage of payroll	85%	53%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(4.79%)	(4.63%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,334	$3,275
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	90,098	13,569	14.74%	91,037	13,419
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**90,098**	**13,569**		**91,037**	**13,419**
Total		**$90,098**	**$13,569**		**$91,037**	**$13,419**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.06%**			**14.74%**
Aggregate (Default)			**15.06%**			**14.74%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($51,180)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(5.80%)
B. Actual employer payroll	56,050
C. Payment to transition liability/(surplus)	(3,251)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.96%)
B. Actual employer payroll	30,300
C. Payment to transition liability/(surplus)	(1,503)
4. Supplemental payment to transition liability	0
5. Interest	(3,714)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($50,140)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(50,140)	(51,180)
2. Combined valuation payroll	90,098	91,037
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.79%)**	**(4.63%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	90,098	91,037
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

State Agencies/1000
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
State Agencies/1000

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
State Agencies/1000

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

State Agencies -- #1000

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for State Agencies to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to State Agencies.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for State Agencies

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.92%	7.82%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	1.86%	1.86%	1.86%	1.86%	1.86%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(6.79%)	(6.79%)	(6.79%)	(6.79%)	(6.79%)
Net pension contribution rate	**14.50%**	**13.40%**	**20.67%**	**11.85%**	**14.58%**
Retiree Healthcare					
Normal cost rate	0.17%	0.17%	0.17%	0.00%	0.00%
UAL rate	0.69%	0.69%	0.69%	0.69%	0.69%
Net retiree healthcare rate	**0.86%**	**0.86%**	**0.86%**	**0.69%**	**0.69%**
Total net employer contribution rate	**15.36%**	**14.26%**	**21.53%**	**12.54%**	**15.27%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.98%	8.80%	16.65%	7.44%	10.15%
July 1, 2013 to June 30, 2015	14.50%	13.40%	20.67%	11.85%	14.58%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.16%	0.11%	0.11%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.27%	0.20%	0.20%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

State Agencies

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$3,762,600,450	$3,043,947,872
Allocated pre-SLGRP pooled liability/(surplus)	511,371,324	518,286,016
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	40,271,507	29,342,696
Side account	1,862,380,958	2,005,030,273
Net unfunded pension actuarial accrued liability	2,451,862,323	1,586,546,311
Combined valuation payroll	2,360,252,440	2,363,251,355
Net pension UAL as a percentage of payroll	104%	67%
Pre-SLGRP pooled rate	1.86%	1.81%
Transition rate	0.00%	0.00%
Side account rate relief	(6.79%)	(6.99%)
Allocated pooled RHIA UAL	$61,143,528	$85,026,047
Allocated pooled RHIPA UAL	$29,679,899	$28,017,227

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$724,348,654	$41,867,352	5.65%	$776,894,256	$43,894,525
Tier 2 General Service	10.42%	568,833,439	59,272,444	10.34%	574,929,731	59,447,734
Total General Service		**1,293,182,093**	**101,139,796**		**1,351,823,987**	**103,342,259**
Tier 1 Police & Fire	15.06%	103,753,323	15,625,250	14.74%	107,995,937	15,918,601
Tier 2 Police & Fire	15.12%	125,893,148	19,035,044	15.03%	126,995,954	19,087,492
Total Police & Fire		**229,646,471**	**34,660,294**		**234,991,891**	**35,006,093**
Total		**$1,522,828,564**	**$135,800,090**		**$1,586,815,878**	**$138,348,352**
Employer normal cost rate						
General Service			**7.82%**			**7.64%**
Police & Fire			**15.09%**			**14.90%**
Aggregate (Default)			**8.92%**			**8.72%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	2,360,252,440	2,363,251,355
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$2,005,030,273**	**$2,005,030,273**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(196,643,526)	(196,643,526)
5. Side account earnings during 2011		53,995,210	53,995,210
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$1,862,380,958**	**$1,862,380,958**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$1,862,380,958	$2,005,030,273
Side Account 2	0	0
Side Account 3	0	0
Total	**$1,862,380,958**	**$2,005,030,273**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$1,862,380,958	$2,005,030,273
2. Combined valuation payroll	2,360,252,440	2,363,251,355
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(6.79%)	(6.99%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

Stayton Fire District/2696
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Stayton Fire District/2696

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Stayton Fire District/2696

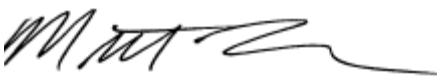
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

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Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Stayton Fire District -- #2696

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Stayton Fire District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Stayton Fire District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Stayton Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.28%	10.42%	15.11%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(1.87%)	(1.87%)	(1.87%)	(1.87%)	(1.87%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**22.92%**	**19.06%**	**23.75%**	**14.91%**	**17.64%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**23.51%**	**19.65%**	**24.34%**	**15.40%**	**18.13%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	18.02%	13.48%	18.84%	9.72%	12.43%
July 1, 2013 to June 30, 2015	22.92%	19.06%	23.75%	14.91%	17.64%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Stayton Fire District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$627,667	$482,262
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(85,764)	(94,607)
Allocated pooled OPSRP UAL	6,718	4,649
Side account	0	0
Net unfunded pension actuarial accrued liability	548,621	392,304
Combined valuation payroll	393,731	374,417
Net pension UAL as a percentage of payroll	139%	105%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.87%)	(2.08%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$10,200	$13,471
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	52,231	5,442	10.34%	50,292	5,200
Total General Service		**52,231**	**5,442**		**50,292**	**5,200**
Tier 1 Police & Fire	15.06%	53,793	8,101	14.74%	55,054	8,115
Tier 2 Police & Fire	15.12%	190,443	28,795	15.03%	180,043	27,060
Total Police & Fire		**244,236**	**36,896**		**235,097**	**35,175**
Total		**$296,467**	**$42,338**		**$285,389**	**$40,375**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.11%**			**14.96%**
Aggregate (Default)			**14.28%**			**14.15%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($94,607)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(5.21%)
B. Actual employer payroll	187,168
C. Payment to transition liability/(surplus)	(9,751)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.59%)
B. Actual employer payroll	210,227
C. Payment to transition liability/(surplus)	(5,445)
4. Supplemental payment to transition liability	0
5. Interest	(6,353)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($85,764)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(85,764)	(94,607)
2. Combined valuation payroll	393,731	374,417
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.87%)**	**(2.08%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	393,731	374,417
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Sublimity Fire District/2799
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
Sublimity Fire District/2799

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Sublimity Fire District/2799

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Sublimity Fire District -- #2799

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Sublimity Fire District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Sublimity Fire District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Sublimity Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	13.63%	10.42%	15.12%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(6.22%)	(6.22%)	(6.22%)	(6.22%)	(6.22%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.92%**	**14.71%**	**19.41%**	**10.56%**	**13.29%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.51%**	**15.30%**	**20.00%**	**11.05%**	**13.78%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.21%	9.13%	14.18%	5.37%	8.08%
July 1, 2013 to June 30, 2015	17.92%	14.71%	19.41%	10.56%	13.29%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Sublimity Fire District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$246,489	$145,737
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(111,846)	(105,023)
Allocated pooled OPSRP UAL	2,638	1,405
Side account	0	0
Net unfunded pension actuarial accrued liability	137,281	42,119
Combined valuation payroll	154,621	113,147
Net pension UAL as a percentage of payroll	89%	37%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(6.22%)	(7.65%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$4,006	$4,071
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	33,943	3,537	10.34%	43,462	4,494
Total General Service		**33,943**	**3,537**		**43,462**	**4,494**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	73,086	11,051	15.03%	69,685	10,474
Total Police & Fire		**73,086**	**11,051**		**69,685**	**10,474**
Total		**$107,029**	**$14,588**		**$113,147**	**$14,968**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.12%**			**15.03%**
Aggregate (Default)			**13.63%**			**13.23%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($105,023)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	5.29%
B. Actual employer payroll	75,588
C. Payment to transition liability/(surplus)	3,999
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(6.94%)
B. Actual employer payroll	78,692
C. Payment to transition liability/(surplus)	(5,461)
4. Supplemental payment to transition liability	0
5. Interest	(8,285)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($111,846)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(111,846)	(105,023)
2. Combined valuation payroll	154,621	113,147
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(6.22%)**	**(7.65%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	154,621	113,147
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Suburban East Salem Water District/2641
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Suburban East Salem Water District/2641

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Suburban East Salem Water District/2641

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Suburban East Salem Water District -- #2641

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Suburban East Salem Water District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Suburban East Salem Water District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Suburban East Salem Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.23%	7.23%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(2.10%)	(2.10%)	(2.10%)	(2.10%)	(2.10%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.64%**	**15.64%**	**23.50%**	**14.68%**	**17.41%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.23%**	**16.23%**	**24.09%**	**15.17%**	**17.90%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.22%	11.22%	19.51%	10.28%	12.99%
July 1, 2013 to June 30, 2015	15.64%	15.64%	23.50%	14.68%	17.41%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Suburban East Salem Water District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$513,251	$405,727
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(78,485)	(79,239)
Allocated pooled OPSRP UAL	5,493	3,911
Side account	0	0
Net unfunded pension actuarial accrued liability	440,259	330,399
Combined valuation payroll	321,959	314,997
Net pension UAL as a percentage of payroll	137%	105%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.10%)	(2.07%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$8,341	$11,333
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$190,471	$11,009	5.65%	$191,426	$10,816
Tier 2 General Service	10.42%	86,587	9,022	10.34%	81,475	8,425
Total General Service		**277,058**	**20,031**		**272,901**	**19,241**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$277,058**	**$20,031**		**$272,901**	**$19,241**
Employer normal cost rate						
General Service			**7.23%**			**7.05%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.23%**			**7.05%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($79,239)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.05%)
B. Actual employer payroll	160,906
C. Payment to transition liability/(surplus)	(3,299)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.03%)
B. Actual employer payroll	161,046
C. Payment to transition liability/(surplus)	(3,269)
4. Supplemental payment to transition liability	0
5. Interest	(5,814)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($78,485)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(78,485)	(79,239)
2. Combined valuation payroll	321,959	314,997
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.10%)**	**(2.07%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	321,959	314,997
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Sunriver Service District/2857
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Sunriver Service District/2857

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Sunriver Service District/2857

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Sunriver Service District -- #2857

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Sunriver Service District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Sunriver Service District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Sunriver Service District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.78%	10.42%	15.11%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(6.50%)	(6.50%)	(6.50%)	(6.50%)	(6.50%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**18.79%**	**14.43%**	**19.12%**	**10.28%**	**13.01%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.38%**	**15.02%**	**19.71%**	**10.77%**	**13.50%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	13.88%	9.08%	14.24%	5.32%	8.03%
July 1, 2013 to June 30, 2015	18.79%	14.43%	19.12%	10.28%	13.01%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Sunriver Service District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$3,345,122	$2,715,254
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(1,585,412)	(1,633,571)
Allocated pooled OPSRP UAL	35,803	26,174
Side account	0	0
Net unfunded pension actuarial accrued liability	1,795,513	1,107,857
Combined valuation payroll	2,098,371	2,108,061
Net pension UAL as a percentage of payroll	86%	53%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(6.50%)	(6.39%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$54,359	$75,845
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	117,839	12,279	10.34%	114,290	11,818
Total General Service		**117,839**	**12,279**		**114,290**	**11,818**
Tier 1 Police & Fire	15.06%	204,074	30,734	14.74%	188,583	27,797
Tier 2 Police & Fire	15.12%	1,364,100	206,252	15.03%	1,354,556	203,590
Total Police & Fire		**1,568,174**	**236,986**		**1,543,139**	**231,387**
Total		**$1,686,013**	**$249,265**		**$1,657,429**	**$243,205**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.11%**			**14.99%**
Aggregate (Default)			**14.78%**			**14.67%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,633,571)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(8.04%)
B. Actual employer payroll	1,053,077
C. Payment to transition liability/(surplus)	(84,667)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(6.99%)
B. Actual employer payroll	1,157,796
C. Payment to transition liability/(surplus)	(80,930)
4. Supplemental payment to transition liability	0
5. Interest	(117,438)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,585,412)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	**December 31, 2010**
1. Total transition liability/(surplus)	(1,585,412)	(1,633,571)
2. Combined valuation payroll	2,098,371	2,108,061
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(6.50%)**	**(6.39%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	2,098,371	2,108,061
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Sutherlin Water Control District/2810
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Sutherlin Water Control District/2810

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Sutherlin Water Control District/2810

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Sutherlin Water Control District -- #2810

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Sutherlin Water Control District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Sutherlin Water Control District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Sutherlin Water Control District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.15%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(1.64%)	(1.64%)	(1.64%)	(1.64%)	(1.64%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.26%**	**15.03%**	**22.20%**	**13.38%**	**16.11%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.85%**	**15.62%**	**22.79%**	**13.87%**	**16.60%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.77%	10.46%	18.24%	9.01%	11.72%
July 1, 2013 to June 30, 2015	16.26%	15.03%	22.20%	13.38%	16.11%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Sutherlin Water Control District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$79,056	$61,317
Allocated pre-SLGRP pooled liability/(surplus)	(10,119)	(9,786)
Transition liability/(surplus)	(9,467)	(9,499)
Allocated pooled OPSRP UAL	846	591
Side account	0	0
Net unfunded pension actuarial accrued liability	60,316	42,623
Combined valuation payroll	49,591	47,605
Net pension UAL as a percentage of payroll	122%	90%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(1.64%)	(1.64%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,285	$1,713
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$0**	**$0**		**$0**	**$0**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.15%**			**8.96%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($9,499)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.23%)
B. Actual employer payroll	23,028
C. Payment to transition liability/(surplus)	(283)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.60%)
B. Actual employer payroll	28,074
C. Payment to transition liability/(surplus)	(450)
4. Supplemental payment to transition liability	0
5. Interest	(701)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($9,467)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(9,467)	(9,499)
2. Combined valuation payroll	49,591	47,605
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.64%)**	**(1.64%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	49,591	47,605
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

Sweet Home Fire and Ambulance District/2847
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Sweet Home Fire and Ambulance District/2847

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Sweet Home Fire and Ambulance District/2847

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Sweet Home Fire and Ambulance District -- #2847

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Sweet Home Fire and Ambulance District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Sweet Home Fire and Ambulance District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Sweet Home Fire and Ambulance District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.13%	5.78%	15.08%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.95%)	(0.95%)	(0.95%)	(0.95%)	(0.95%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**21.93%**	**13.58%**	**22.88%**	**14.07%**	**16.80%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**22.52%**	**14.17%**	**23.47%**	**14.56%**	**17.29%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	18.24%	9.35%	19.11%	9.68%	12.39%
July 1, 2013 to June 30, 2015	21.93%	13.58%	22.88%	14.07%	16.80%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Sweet Home Fire and Ambulance District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,323,720	$1,089,228
Allocated pre-SLGRP pooled liability/(surplus)	(169,438)	(173,845)
Transition liability/(surplus)	(91,937)	(92,648)
Allocated pooled OPSRP UAL	14,168	10,500
Side account	0	0
Net unfunded pension actuarial accrued liability	1,076,513	833,235
Combined valuation payroll	830,360	845,652
Net pension UAL as a percentage of payroll	130%	99%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.95%)	(0.90%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$21,511	$30,425
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$53,854	$3,113	5.65%	$51,973	$2,936
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**53,854**	**3,113**		**51,973**	**2,936**
Tier 1 Police & Fire	15.06%	323,611	48,736	14.74%	393,775	58,042
Tier 2 Police & Fire	15.12%	149,467	22,599	15.03%	143,187	21,521
Total Police & Fire		**473,078**	**71,335**		**536,962**	**79,563**
Total		**$526,932**	**$74,448**		**$588,935**	**$82,499**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.08%**			**14.82%**
Aggregate (Default)			**14.13%**			**14.01%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($92,648)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.85%)
B. Actual employer payroll	419,123
C. Payment to transition liability/(surplus)	(3,563)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.93%)
B. Actual employer payroll	425,613
C. Payment to transition liability/(surplus)	(3,958)
4. Supplemental payment to transition liability	0
5. Interest	(6,810)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($91,937)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(91,937)	(92,648)
2. Combined valuation payroll	830,360	845,652
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.95%)**	**(0.90%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	830,360	845,652
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Talent Irrigation District/2582
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Talent Irrigation District/2582

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Talent Irrigation District/2582

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Talent Irrigation District -- #2582

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Talent Irrigation District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Talent Irrigation District.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Talent Irrigation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	6.66%	6.66%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	1.35%	1.35%	1.35%	1.35%	1.35%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.76%**	**16.76%**	**25.19%**	**16.37%**	**19.10%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.35%**	**17.35%**	**25.78%**	**16.86%**	**19.59%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.46%	12.46%	20.92%	11.69%	14.40%
July 1, 2013 to June 30, 2015	16.76%	16.76%	25.19%	16.37%	19.10%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Talent Irrigation District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$737,313	$778,068
Allocated pre-SLGRP pooled liability/(surplus)	(94,377)	(124,182)
Transition liability/(surplus)	72,601	72,863
Allocated pooled OPSRP UAL	7,892	7,500
Side account	0	0
Net unfunded pension actuarial accrued liability	723,429	734,249
Combined valuation payroll	462,511	604,074
Net pension UAL as a percentage of payroll	156%	122%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	1.35%	0.99%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$11,982	$21,734
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$349,386	$20,195	5.65%	$344,658	$19,473
Tier 2 General Service	10.42%	81,752	8,519	10.34%	126,127	13,042
Total General Service		**431,138**	**28,714**		**470,785**	**32,515**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$431,138**	**$28,714**		**$470,785**	**$32,515**
Employer normal cost rate						
General Service			**6.66%**			**6.91%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**6.66%**			**6.91%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$72,863
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.94%
B. Actual employer payroll	291,653
C. Payment to transition liability/(surplus)	2,742
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	1.08%
B. Actual employer payroll	268,296
C. Payment to transition liability/(surplus)	2,898
4. Supplemental payment to transition liability	0
5. Interest	5,378
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$72,601**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	72,601	72,863
2. Combined valuation payroll	462,511	604,074
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**1.35%**	**0.99%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	462,511	604,074
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

The Job Council/2814
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
The Job Council/2814

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
The Job Council/2814

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

The Job Council -- #2814

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for The Job Council to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to The Job Council.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for The Job Council

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.49%	8.49%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	20.78%	20.78%	20.78%	20.78%	20.78%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**38.02%**	**38.02%**	**44.62%**	**35.80%**	**38.53%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**38.61%**	**38.61%**	**45.21%**	**36.29%**	**39.02%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	25.44%	25.44%	32.84%	23.61%	26.32%
July 1, 2013 to June 30, 2015	38.02%	38.02%	44.62%	35.80%	38.53%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

The Job Council

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$3,033,363	$4,301,942
Allocated pre-SLGRP pooled liability/(surplus)	(388,275)	(686,605)
Transition liability/(surplus)	4,597,331	4,586,326
Allocated pooled OPSRP UAL	32,466	41,469
Side account	0	0
Net unfunded pension actuarial accrued liability	7,274,885	8,243,132
Combined valuation payroll	1,902,807	3,339,929
Net pension UAL as a percentage of payroll	382%	247%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	20.78%	11.32%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$49,293	$120,165
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$528,174	$30,528	5.65%	$1,157,777	$65,414
Tier 2 General Service	10.42%	743,445	77,467	10.34%	1,293,106	133,707
Total General Service		**1,271,619**	**107,995**		**2,450,883**	**199,121**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$1,271,619**	**$107,995**		**$2,450,883**	**$199,121**
Employer normal cost rate						
General Service			**8.49%**			**8.12%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.49%**			**8.12%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$4,586,326
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	13.54%
B. Actual employer payroll	1,639,730
C. Payment to transition liability/(surplus)	222,019
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	13.00%
B. Actual employer payroll	827,068
C. Payment to transition liability/(surplus)	107,519
4. Supplemental payment to transition liability	0
5. Interest	340,543
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$4,597,331**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	4,597,331	4,586,326
2. Combined valuation payroll	1,902,807	3,339,929
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**20.78%**	**11.32%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,902,807	3,339,929
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

The Oregon Consortium/2652
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
The Oregon Consortium/2652

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

The Oregon Consortium/2652

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

The Oregon Consortium -- #2652

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for The Oregon Consortium to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to The Oregon Consortium.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for The Oregon Consortium

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.29%	7.29%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	2.31%	2.31%	2.31%	2.31%	2.31%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**20.11%**	**20.11%**	**27.91%**	**19.09%**	**21.82%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.70%**	**20.70%**	**28.50%**	**19.58%**	**22.31%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.53%	14.53%	23.09%	13.86%	16.57%
July 1, 2013 to June 30, 2015	20.11%	20.11%	27.91%	19.09%	21.82%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

The Oregon Consortium

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$485,618	$616,539
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	81,869	82,958
Allocated pooled OPSRP UAL	5,198	5,943
Side account	0	0
Net unfunded pension actuarial accrued liability	572,685	705,440
Combined valuation payroll	304,625	478,667
Net pension UAL as a percentage of payroll	188%	147%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	2.31%	1.43%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$7,891	$17,222
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$173,437	$10,025	5.65%	$264,798	$14,961
Tier 2 General Service	10.42%	83,317	8,682	10.34%	86,686	8,963
Total General Service		**256,754**	**18,707**		**351,484**	**23,924**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$256,754**	**$18,707**		**$351,484**	**$23,924**
Employer normal cost rate						
General Service			**7.29%**			**6.81%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.29%**			**6.81%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$82,958
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	1.93%
B. Actual employer payroll	222,188
C. Payment to transition liability/(surplus)	4,288
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	1.55%
B. Actual employer payroll	184,851
C. Payment to transition liability/(surplus)	2,865
4. Supplemental payment to transition liability	0
5. Interest	6,064
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$81,869**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	81,869	82,958
2. Combined valuation payroll	304,625	478,667
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**2.31%**	**1.43%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	304,625	478,667
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Tillamook Bay Community College/2997
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Tillamook Bay Community College/2997

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Tillamook Bay Community College/2997

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Tillamook Bay Community College -- #2997

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Tillamook Bay Community College to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Tillamook Bay Community College.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Tillamook Bay Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.07%	8.07%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	1.86%	1.86%	1.86%	1.86%	1.86%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(7.31%)	(7.31%)	(7.31%)	(7.31%)	(7.31%)
Net pension contribution rate	**13.13%**	**13.13%**	**20.15%**	**11.33%**	**14.06%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.72%**	**13.72%**	**20.74%**	**11.82%**	**14.55%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	7.15%	7.15%	14.81%	5.58%	8.29%
July 1, 2013 to June 30, 2015	13.13%	13.13%	20.15%	11.33%	14.06%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Tillamook Bay Community College

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$2,503,843	$2,234,981
Allocated pre-SLGRP pooled liability/(surplus)	340,295	380,545
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	26,799	21,545
Side account	1,334,123	1,449,455
Net unfunded pension actuarial accrued liability	1,536,814	1,187,616
Combined valuation payroll	1,570,643	1,735,188
Net pension UAL as a percentage of payroll	98%	68%
Pre-SLGRP pooled rate	1.86%	1.81%
Transition rate	0.00%	0.00%
Side account rate relief	(7.31%)	(6.88%)
Allocated pooled RHIA UAL	$40,688	$62,429
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$126,008,735	$7,283,305	5.65%	$135,189,476	$7,638,205
Tier 2 General Service	10.42%	123,113,364	12,828,413	10.34%	125,634,641	12,990,622
Total General Service		**249,122,099**	**20,111,718**		**260,824,117**	**20,628,827**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$249,122,099**	**$20,111,718**		**$260,824,117**	**$20,628,827**
Employer normal cost rate						
General Service			**8.07%**			**7.91%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.07%**			**7.91%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	403,407,903	413,952,327
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$1,449,455**	**$1,449,455**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(153,594)	(153,594)
5. Side account earnings during 2011		39,262	39,262
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$1,334,123**	**$1,334,123**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$1,334,123	$1,449,455
Side Account 2	0	0
Side Account 3	0	0
Total	**$1,334,123**	**$1,449,455**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$1,334,123	$1,449,455
2. Combined valuation payroll	1,570,643	1,735,188
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(7.31%)	(6.88%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Tillamook Peoples Utility District/2626
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Tillamook Peoples Utility District/2626

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Tillamook Peoples Utility District/2626

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Tillamook Peoples Utility District -- #2626

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Tillamook Peoples Utility District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Tillamook Peoples Utility District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Tillamook Peoples Utility District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.57%	7.57%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(0.20%)	(0.20%)	(0.20%)	(0.20%)	(0.20%)
Net pension contribution rate	**16.12%**	**16.12%**	**23.64%**	**14.82%**	**17.55%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.71%**	**16.71%**	**24.23%**	**15.31%**	**18.04%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.42%	11.42%	19.62%	10.39%	13.10%
July 1, 2013 to June 30, 2015	16.12%	16.12%	23.64%	14.82%	17.55%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Tillamook Peoples Utility District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$11,001,662	$8,885,656
Allocated pre-SLGRP pooled liability/(surplus)	(1,408,229)	(1,418,182)
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	117,752	85,655
Side account	162,651	177,220
Net unfunded pension actuarial accrued liability	9,548,534	7,375,909
Combined valuation payroll	6,901,264	6,898,620
Net pension UAL as a percentage of payroll	138%	107%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.00%	0.00%
Side account rate relief	(0.20%)	(0.21%)
Allocated pooled RHIA UAL	$178,781	$248,201
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$2,626,780	$151,828	5.65%	$2,826,657	$159,706
Tier 2 General Service	10.42%	1,650,606	171,993	10.34%	1,595,309	164,955
Total General Service		**4,277,386**	**323,821**		**4,421,966**	**324,661**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$4,277,386**	**$323,821**		**$4,421,966**	**$324,661**
Employer normal cost rate						
General Service			**7.57%**			**7.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.57%**			**7.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	6,901,264	6,898,620
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$177,220**	**$177,220**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(18,369)	(18,369)
5. Side account earnings during 2011		4,800	4,800
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$162,651**	**$162,651**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$162,651	$177,220
Side Account 2	0	0
Side Account 3	0	0
Total	**$162,651**	**$177,220**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$162,651	$177,220
2. Combined valuation payroll	6,901,264	6,898,620
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(0.20%)	(0.21%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Town of Canyon City/2255
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Town of Canyon City/2255

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Town of Canyon City/2255

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Town of Canyon City -- #2255

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Town of Canyon City to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Town of Canyon City.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Town of Canyon City

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.78%	5.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	2.10%	2.10%	2.10%	2.10%	2.10%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.63%**	**16.63%**	**25.94%**	**17.12%**	**19.85%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.22%**	**17.22%**	**26.53%**	**17.61%**	**20.34%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.35%	12.35%	21.91%	12.68%	15.39%
July 1, 2013 to June 30, 2015	16.63%	16.63%	25.94%	17.12%	19.85%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Town of Canyon City

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$221,856	$174,746
Allocated pre-SLGRP pooled liability/(surplus)	(28,398)	(27,890)
Transition liability/(surplus)	33,937	34,152
Allocated pooled OPSRP UAL	2,375	1,684
Side account	0	0
Net unfunded pension actuarial accrued liability	229,770	182,692
Combined valuation payroll	139,169	135,669
Net pension UAL as a percentage of payroll	165%	135%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	2.10%	2.07%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$3,605	$4,881
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$94,287	$5,450	5.65%	$91,385	$5,163
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**94,287**	**5,450**		**91,385**	**5,163**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$94,287**	**$5,450**		**$91,385**	**$5,163**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.78%**			**5.65%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$34,152
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	2.02%
B. Actual employer payroll	64,691
C. Payment to transition liability/(surplus)	1,307
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	2.07%
B. Actual employer payroll	68,688
C. Payment to transition liability/(surplus)	1,422
4. Supplemental payment to transition liability	0
5. Interest	2,514
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$33,937**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	33,937	34,152
2. Combined valuation payroll	139,169	135,669
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**2.10%**	**2.07%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	139,169	135,669
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Town of Lakeview/2212
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Town of Lakeview/2212

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Town of Lakeview/2212

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Town of Lakeview -- #2212

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Town of Lakeview to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Town of Lakeview.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Town of Lakeview

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	11.63%	8.50%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(10.86%)	(10.86%)	(10.86%)	(10.86%)	(10.86%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**9.52%**	**6.39%**	**12.98%**	**4.16%**	**6.89%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**10.11%**	**6.98%**	**13.57%**	**4.65%**	**7.38%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	7.20%	3.61%	11.12%	1.86%	4.57%
July 1, 2013 to June 30, 2015	9.52%	6.39%	12.98%	4.16%	6.89%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Town of Lakeview

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,342,373	$1,208,750
Allocated pre-SLGRP pooled liability/(surplus)	(171,826)	(192,921)
Transition liability/(surplus)	(1,063,260)	(1,056,091)
Allocated pooled OPSRP UAL	14,368	11,652
Side account	0	0
Net unfunded pension actuarial accrued liability	121,655	(28,610)
Combined valuation payroll	842,061	938,446
Net pension UAL as a percentage of payroll	14%	(3%)
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(10.86%)	(9.27%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$21,814	$33,764
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$110,219	$6,371	5.65%	$120,240	$6,794
Tier 2 General Service	10.42%	156,180	16,274	10.34%	169,729	17,550
Total General Service		**266,399**	**22,645**		**289,969**	**24,344**
Tier 1 Police & Fire	15.06%	107,899	16,250	14.74%	163,989	24,172
Tier 2 Police & Fire	15.12%	132,176	19,985	15.03%	142,466	21,413
Total Police & Fire		**240,075**	**36,235**		**306,455**	**45,585**
Total		**$506,474**	**$58,880**		**$596,424**	**$69,929**
Employer normal cost rate						
General Service			**8.50%**			**8.40%**
Police & Fire			**15.09%**			**14.87%**
Aggregate (Default)			**11.63%**			**11.72%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,056,091)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(8.20%)
B. Actual employer payroll	479,735
C. Payment to transition liability/(surplus)	(39,338)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(8.75%)
B. Actual employer payroll	368,598
C. Payment to transition liability/(surplus)	(32,253)
4. Supplemental payment to transition liability	0
5. Interest	(78,760)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,063,260)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,063,260)	(1,056,091)
2. Combined valuation payroll	842,061	938,446
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(10.86%)**	**(9.27%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	842,061	938,446
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Treasure Valley Community College/2902
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Treasure Valley Community College/2902

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Treasure Valley Community College/2902

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Treasure Valley Community College -- #2902

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Treasure Valley Community College to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Treasure Valley Community College.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Treasure Valley Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.07%	8.07%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	1.86%	1.86%	1.86%	1.86%	1.86%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(10.46%)	(10.46%)	(10.46%)	(10.46%)	(10.46%)
Net pension contribution rate	**9.98%**	**9.98%**	**17.00%**	**8.18%**	**10.91%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**10.57%**	**10.57%**	**17.59%**	**8.67%**	**11.40%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	5.18%	5.18%	12.84%	3.61%	6.32%
July 1, 2013 to June 30, 2015	9.98%	9.98%	17.00%	8.18%	10.91%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Treasure Valley Community College

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$15,000,740	$13,165,572
Allocated pre-SLGRP pooled liability/(surplus)	2,038,736	2,241,672
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	160,554	126,912
Side account	11,439,490	11,976,722
Net unfunded pension actuarial accrued liability	5,760,540	3,557,434
Combined valuation payroll	9,409,857	10,221,448
Net pension UAL as a percentage of payroll	61%	35%
Pre-SLGRP pooled rate	1.86%	1.81%
Transition rate	0.00%	0.00%
Side account rate relief	(10.46%)	(9.66%)
Allocated pooled RHIA UAL	$243,767	$367,752
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$126,008,735	$7,283,305	5.65%	$135,189,476	$7,638,205
Tier 2 General Service	10.42%	123,113,364	12,828,413	10.34%	125,634,641	12,990,622
Total General Service		**249,122,099**	**20,111,718**		**260,824,117**	**20,628,827**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$249,122,099**	**$20,111,718**		**$260,824,117**	**$20,628,827**
Employer normal cost rate						
General Service			**8.07%**			**7.91%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.07%**			**7.91%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	403,407,903	413,952,327
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$11,976,722**	**$11,976,722**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(852,535)	(852,535)
5. Side account earnings during 2011		316,302	316,302
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$11,439,490**	**$11,439,490**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$11,439,490	$11,976,722
Side Account 2	0	0
Side Account 3	0	0
Total	**$11,439,490**	**$11,976,722**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$11,439,490	$11,976,722
2. Combined valuation payroll	9,409,857	10,221,448
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(10.46%)	(9.66%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Tri-City Water and Sanitary Authority/2864
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Tri-City Water and Sanitary Authority/2864

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Tri-City Water and Sanitary Authority/2864

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Tri-City Water and Sanitary Authority -- #2864

SEPTEMBER 2012

Secondary Employers

2690 Tri City Sanitary

2691 Tri City Water

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Tri-City Water and Sanitary Authority to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Tri-City Water and Sanitary Authority.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Tri-City Water and Sanitary Authority

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.01%	8.01%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(1.96%)	(1.96%)	(1.96%)	(1.96%)	(1.96%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**14.80%**	**14.80%**	**21.88%**	**13.06%**	**15.79%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.39%**	**15.39%**	**22.47%**	**13.55%**	**16.28%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.98%	9.98%	17.61%	8.38%	11.09%
July 1, 2013 to June 30, 2015	14.80%	14.80%	21.88%	13.06%	15.79%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Tri-City Water and Sanitary Authority

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$568,117	$433,629
Allocated pre-SLGRP pooled liability/(surplus)	(72,720)	(69,209)
Transition liability/(surplus)	(81,320)	(83,357)
Allocated pooled OPSRP UAL	6,081	4,180
Side account	0	0
Net unfunded pension actuarial accrued liability	420,158	285,243
Combined valuation payroll	356,376	336,660
Net pension UAL as a percentage of payroll	118%	85%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(1.96%)	(2.04%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$9,232	$12,112
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$73,503	$4,248	5.65%	$69,920	$3,950
Tier 2 General Service	10.42%	68,212	7,108	10.34%	63,522	6,568
Total General Service		**141,715**	**11,356**		**133,442**	**10,518**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$141,715**	**$11,356**		**$133,442**	**$10,518**
Employer normal cost rate						
General Service			**8.01%**			**7.88%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.01%**			**7.88%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($83,357)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(2.54%)
B. Actual employer payroll	167,820
C. Payment to transition liability/(surplus)	(4,263)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.23%)
B. Actual employer payroll	170,350
C. Payment to transition liability/(surplus)	(3,798)
4. Supplemental payment to transition liability	0
5. Interest	(6,024)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($81,320)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(81,320)	(83,357)
2. Combined valuation payroll	356,376	336,660
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.96%)**	**(2.04%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	356,376	336,660
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

Tualatin Valley Fire & Rescue/2660
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Tualatin Valley Fire & Rescue/2660

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Tualatin Valley Fire & Rescue/2660

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Tualatin Valley Fire & Rescue -- #2660

SEPTEMBER 2012

Secondary Employers

2730 Tualatin Rural Fire District

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Tualatin Valley Fire & Rescue to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Tualatin Valley Fire & Rescue.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Tualatin Valley Fire & Rescue

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.34%	8.20%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(3.73%)	(3.73%)	(3.73%)	(3.73%)	(3.73%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.36%**	**13.22%**	**20.11%**	**11.29%**	**14.02%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.95%**	**13.81%**	**20.70%**	**11.78%**	**14.51%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	15.11%	8.30%	15.92%	6.67%	9.38%
July 1, 2013 to June 30, 2015	19.36%	13.22%	20.11%	11.29%	14.02%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Tualatin Valley Fire & Rescue

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$68,069,495	$53,637,331
Allocated pre-SLGRP pooled liability/(surplus)	(8,712,996)	(8,560,705)
Transition liability/(surplus)	(18,532,799)	(18,866,509)
Allocated pooled OPSRP UAL	728,555	517,047
Side account	0	0
Net unfunded pension actuarial accrued liability	41,552,255	26,727,164
Combined valuation payroll	42,699,509	41,642,794
Net pension UAL as a percentage of payroll	97%	64%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(3.73%)	(3.73%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,106,152	$1,498,242
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$1,586,887	$91,722	5.65%	$1,591,378	$89,913
Tier 2 General Service	10.42%	1,723,111	179,548	10.34%	1,763,674	182,364
Total General Service		**3,309,998**	**271,270**		**3,355,052**	**272,277**
Tier 1 Police & Fire	15.06%	13,075,730	1,969,205	14.74%	14,096,770	2,077,864
Tier 2 Police & Fire	15.12%	14,020,217	2,119,857	15.03%	13,951,579	2,096,922
Total Police & Fire		**27,095,947**	**4,089,062**		**28,048,349**	**4,174,786**
Total		**$30,405,945**	**$4,360,332**		**$31,403,401**	**$4,447,063**
Employer normal cost rate						
General Service			**8.20%**			**8.12%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**14.34%**			**14.16%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($18,866,509)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(4.20%)
B. Actual employer payroll	20,889,432
C. Payment to transition liability/(surplus)	(877,356)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(3.94%)
B. Actual employer payroll	21,044,533
C. Payment to transition liability/(surplus)	(829,154)
4. Supplemental payment to transition liability	0
5. Interest	(1,372,800)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($18,532,799)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	**December 31, 2010**
1. Total transition liability/(surplus)	(18,532,799)	(18,866,509)
2. Combined valuation payroll	42,699,509	41,642,794
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.73%)**	**(3.73%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	42,699,509	41,642,794
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Tualatin Valley Irrigation District/2587
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012
Tualatin Valley Irrigation District/2587

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Tualatin Valley Irrigation District/2587

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Tualatin Valley Irrigation District -- #2587

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Tualatin Valley Irrigation District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Tualatin Valley Irrigation District.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Tualatin Valley Irrigation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.09%	7.09%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(4.47%)	(4.47%)	(4.47%)	(4.47%)	(4.47%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**13.13%**	**13.13%**	**21.13%**	**12.31%**	**15.04%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.72%**	**13.72%**	**21.72%**	**12.80%**	**15.53%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.04%	10.04%	18.95%	9.72%	12.43%
July 1, 2013 to June 30, 2015	13.13%	13.13%	21.13%	12.31%	15.04%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Tualatin Valley Irrigation District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$428,532	$407,108
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(139,549)	(130,821)
Allocated pooled OPSRP UAL	4,587	3,924
Side account	0	0
Net unfunded pension actuarial accrued liability	293,570	280,211
Combined valuation payroll	268,815	316,069
Net pension UAL as a percentage of payroll	109%	89%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.47%)	(3.41%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$6,964	$11,372
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$114,153	$6,598	5.65%	$184,285	$10,412
Tier 2 General Service	10.42%	44,707	4,658	10.34%	44,288	4,579
Total General Service		**158,860**	**11,256**		**228,573**	**14,991**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$158,860**	**$11,256**		**$228,573**	**$14,991**
Employer normal cost rate						
General Service			**7.09%**			**6.56%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.09%**			**6.56%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($130,821)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	1.87%
B. Actual employer payroll	168,353
C. Payment to transition liability/(surplus)	3,148
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.59%)
B. Actual employer payroll	183,663
C. Payment to transition liability/(surplus)	(4,757)
4. Supplemental payment to transition liability	0
5. Interest	(10,337)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($139,549)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	**December 31, 2010**
1. Total transition liability/(surplus)	(139,549)	(130,821)
2. Combined valuation payroll	268,815	316,069
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.47%)**	**(3.41%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	268,815	316,069
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Tualatin Valley Water District/2842
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Tualatin Valley Water District/2842

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Tualatin Valley Water District/2842

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Tualatin Valley Water District -- #2842

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Tualatin Valley Water District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Tualatin Valley Water District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Tualatin Valley Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.24%	8.24%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(3.61%)	(3.61%)	(3.61%)	(3.61%)	(3.61%)
Side account rate relief [2]	(1.24%)	(1.24%)	(1.24%)	(1.24%)	(1.24%)
Net pension contribution rate	**13.90%**	**13.90%**	**20.75%**	**11.93%**	**14.66%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.49%**	**14.49%**	**21.34%**	**12.42%**	**15.15%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	8.74%	8.74%	16.22%	6.99%	9.70%
July 1, 2013 to June 30, 2015	13.90%	13.90%	20.75%	11.93%	14.66%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Tualatin Valley Water District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$12,956,988	$10,153,837
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(3,412,828)	(3,654,781)
Allocated pooled OPSRP UAL	138,680	97,880
Side account	1,173,238	1,273,718
Net unfunded pension actuarial accrued liability	8,509,602	5,323,218
Combined valuation payroll	8,127,826	7,883,206
Net pension UAL as a percentage of payroll	105%	68%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.61%)	(3.82%)
Side account rate relief	(1.24%)	(1.33%)
Allocated pooled RHIA UAL	$210,555	$283,625
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$2,709,738	$156,623	5.65%	$2,788,431	$157,546
Tier 2 General Service	10.42%	3,053,597	318,185	10.34%	3,004,973	310,714
Total General Service		**5,763,335**	**474,808**		**5,793,404**	**468,260**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$5,763,335**	**$474,808**		**$5,793,404**	**$468,260**
Employer normal cost rate						
General Service			**8.24%**			**8.08%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.24%**			**8.08%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($3,654,781)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(7.96%)
B. Actual employer payroll	3,984,429
C. Payment to transition liability/(surplus)	(323,493)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(3.97%)
B. Actual employer payroll	4,313,887
C. Payment to transition liability/(surplus)	(171,262)
4. Supplemental payment to transition liability	0
5. Interest	(252,802)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($3,412,828)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(3,412,828)	(3,654,781)
2. Combined valuation payroll	8,127,826	7,883,206
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.61%)**	**(3.82%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$1,273,718**	**$1,273,718**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(134,038)	(134,038)
5. Side account earnings during 2011		34,558	34,558
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$1,173,238**	**$1,173,238**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$1,173,238	$1,273,718
Side Account 2	0	0
Side Account 3	0	0
Total	**$1,173,238**	**$1,273,718**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$1,173,238	$1,273,718
2. Combined valuation payroll	8,127,826	7,883,206
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(1.24%)	(1.33%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Umatilla County Soil & Water District/2772
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Umatilla County Soil & Water District/2772

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Umatilla County Soil & Water District/2772

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Umatilla County Soil & Water District -- #2772

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Umatilla County Soil & Water District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Umatilla County Soil & Water District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Umatilla County Soil & Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.15%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(5.42%)	(5.42%)	(5.42%)	(5.42%)	(5.42%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**12.48%**	**11.25%**	**18.42%**	**9.60%**	**12.33%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.07%**	**11.84%**	**19.01%**	**10.09%**	**12.82%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	11.71%	11.71%	17.18%	7.95%	10.66%
July 1, 2013 to June 30, 2015	12.48%	11.25%	18.42%	9.60%	12.33%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Umatilla County Soil & Water District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$109,529	$177,729
Allocated pre-SLGRP pooled liability/(surplus)	(14,020)	(28,366)
Transition liability/(surplus)	(43,286)	(43,488)
Allocated pooled OPSRP UAL	1,172	1,713
Side account	0	0
Net unfunded pension actuarial accrued liability	53,395	107,588
Combined valuation payroll	68,707	137,985
Net pension UAL as a percentage of payroll	78%	78%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(5.42%)	(2.60%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,780	$4,964
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	39,901	4,126
Total General Service		**0**	**0**		**39,901**	**4,126**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$0**	**$0**		**$39,901**	**$4,126**
Employer normal cost rate						
General Service			**7.92%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.15%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($43,488)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.55%)
B. Actual employer payroll	57,939
C. Payment to transition liability/(surplus)	(2,057)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.66%)
B. Actual employer payroll	50,787
C. Payment to transition liability/(surplus)	(1,351)
4. Supplemental payment to transition liability	0
5. Interest	(3,206)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($43,286)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(43,286)	(43,488)
2. Combined valuation payroll	68,707	137,985
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(5.42%)**	**(2.60%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	68,707	137,985
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Umatilla County Special Library District/2732
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Umatilla County Special Library District/2732

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Umatilla County Special Library District/2732

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Umatilla County Special Library District -- #2732

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Umatilla County Special Library District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Umatilla County Special Library District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Umatilla County Special Library District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	5.78%	5.78%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(8.87%)	(8.87%)	(8.87%)	(8.87%)	(8.87%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**7.42%**	**7.42%**	**16.73%**	**7.91%**	**10.64%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**8.01%**	**8.01%**	**17.32%**	**8.40%**	**11.13%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	4.04%	4.04%	13.60%	4.37%	7.08%
July 1, 2013 to June 30, 2015	7.42%	7.42%	16.73%	7.91%	10.64%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Umatilla County Special Library District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$214,906	$168,256
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(139,076)	(134,694)
Allocated pooled OPSRP UAL	2,300	1,622
Side account	0	0
Net unfunded pension actuarial accrued liability	78,130	35,184
Combined valuation payroll	134,809	130,630
Net pension UAL as a percentage of payroll	58%	27%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(8.87%)	(8.50%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$3,492	$4,700
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$134,809	$7,792	5.65%	$130,630	$7,381
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**134,809**	**7,792**		**130,630**	**7,381**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$134,809**	**$7,792**		**$130,630**	**$7,381**
Employer normal cost rate						
General Service			**5.78%**			**5.65%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**5.78%**			**5.65%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($134,694)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.05%)
B. Actual employer payroll	63,362
C. Payment to transition liability/(surplus)	(665)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(7.94%)
B. Actual employer payroll	66,176
C. Payment to transition liability/(surplus)	(5,255)
4. Supplemental payment to transition liability	0
5. Interest	(10,302)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($139,076)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(139,076)	(134,694)
2. Combined valuation payroll	134,809	130,630
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(8.87%)**	**(8.50%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	134,809	130,630
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

Umatilla County/2013
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Umatilla County/2013

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
Umatilla County/2013

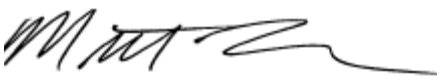
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Umatilla County -- #2013

SEPTEMBER 2012

Secondary Employers

2048 Umatilla County Fair Board

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Umatilla County to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Umatilla County.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Umatilla County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.13%	8.15%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(5.47%)	(5.47%)	(5.47%)	(5.47%)	(5.47%)
Net pension contribution rate	**13.41%**	**11.43%**	**18.38%**	**9.55%**	**12.28%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.00%**	**12.02%**	**18.97%**	**10.04%**	**12.77%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	9.04%	7.16%	14.60%	5.46%	8.17%
July 1, 2013 to June 30, 2015	13.41%	11.43%	18.38%	9.55%	12.28%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Umatilla County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$21,743,445	$17,942,136
Allocated pre-SLGRP pooled liability/(surplus)	(2,783,193)	(2,863,627)
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	232,722	172,957
Side account	8,672,688	9,337,742
Net unfunded pension actuarial accrued liability	10,520,286	5,913,724
Combined valuation payroll	13,639,508	13,929,863
Net pension UAL as a percentage of payroll	77%	42%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.00%	0.00%
Side account rate relief	(5.47%)	(5.52%)
Allocated pooled RHIA UAL	$353,338	$501,174
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$3,098,311	$179,082	5.65%	$3,329,710	$188,129
Tier 2 General Service	10.42%	3,234,004	336,983	10.34%	3,419,774	353,605
Total General Service		**6,332,315**	**516,065**		**6,749,484**	**541,734**
Tier 1 Police & Fire	15.06%	1,030,435	155,184	14.74%	1,057,616	155,893
Tier 2 Police & Fire	15.12%	1,500,674	226,902	15.03%	1,617,311	243,082
Total Police & Fire		**2,531,109**	**382,086**		**2,674,927**	**398,975**
Total		**$8,863,424**	**$898,151**		**$9,424,411**	**$940,709**
Employer normal cost rate						
General Service			**8.15%**			**8.03%**
Police & Fire			**15.10%**			**14.92%**
Aggregate (Default)			**10.13%**			**9.98%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	13,639,508	13,929,863
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$9,337,742**	**$9,337,742**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(915,012)	(915,012)
5. Side account earnings during 2011		250,958	250,958
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$8,672,688**	**$8,672,688**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$8,672,688	$9,337,742
Side Account 2	0	0
Side Account 3	0	0
Total	**$8,672,688**	**$9,337,742**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$8,672,688	$9,337,742
2. Combined valuation payroll	13,639,508	13,929,863
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(5.47%)	(5.52%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Umatilla Fire Department/2653
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Umatilla Fire Department/2653

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Umatilla Fire Department/2653

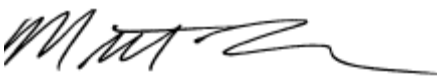
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Umatilla Fire Department -- #2653

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Umatilla Fire Department to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Umatilla Fire Department.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Umatilla Fire Department

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.06%	7.92%	15.06%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(7.64%)	(7.64%)	(7.64%)	(7.64%)	(7.64%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.93%**	**10.79%**	**17.93%**	**9.14%**	**11.87%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.52%**	**11.38%**	**18.52%**	**9.63%**	**12.36%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.38%	4.18%	12.38%	2.73%	5.44%
July 1, 2013 to June 30, 2015	17.93%	10.79%	17.93%	9.14%	11.87%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Umatilla Fire Department

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$154,287	$103,215
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(85,919)	(87,760)
Allocated pooled OPSRP UAL	1,651	995
Side account	0	0
Net unfunded pension actuarial accrued liability	70,019	16,450
Combined valuation payroll	96,783	80,134
Net pension UAL as a percentage of payroll	72%	21%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(7.64%)	(9.03%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,507	$2,883
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	90,385	13,612	14.74%	73,884	10,891
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**90,385**	**13,612**		**73,884**	**10,891**
Total		**$90,385**	**$13,612**		**$73,884**	**$10,891**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.06%**			**14.74%**
Aggregate (Default)			**15.06%**			**14.74%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($87,760)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(4.82%)
B. Actual employer payroll	62,584
C. Payment to transition liability/(surplus)	(3,017)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(9.58%)
B. Actual employer payroll	54,161
C. Payment to transition liability/(surplus)	(5,188)
4. Supplemental payment to transition liability	0
5. Interest	(6,364)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($85,919)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(85,919)	(87,760)
2. Combined valuation payroll	96,783	80,134
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(7.64%)**	**(9.03%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	96,783	80,134
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Umpqua Community College/2903
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Umpqua Community College/2903

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Umpqua Community College/2903

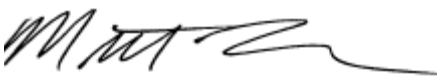
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Umpqua Community College -- #2903

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Umpqua Community College to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Umpqua Community College.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Umpqua Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.07%	8.07%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	1.86%	1.86%	1.86%	1.86%	1.86%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	(6.54%)	(6.54%)	(6.54%)	(6.54%)	(6.54%)
Net pension contribution rate	**13.90%**	**13.90%**	**20.92%**	**12.10%**	**14.83%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.49%**	**14.49%**	**21.51%**	**12.59%**	**15.32%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	8.99%	8.99%	16.65%	7.42%	10.13%
July 1, 2013 to June 30, 2015	13.90%	13.90%	20.92%	12.10%	14.83%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Umpqua Community College

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$19,397,970	$16,897,484
Allocated pre-SLGRP pooled liability/(surplus)	2,636,359	2,877,096
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	207,618	162,886
Side account	9,251,603	10,121,217
Net unfunded pension actuarial accrued liability	12,990,344	9,816,249
Combined valuation payroll	12,168,208	13,118,819
Net pension UAL as a percentage of payroll	107%	75%
Pre-SLGRP pooled rate	1.86%	1.81%
Transition rate	0.00%	0.00%
Side account rate relief	(6.54%)	(6.36%)
Allocated pooled RHIA UAL	$315,224	$471,994
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$126,008,735	$7,283,305	5.65%	$135,189,476	$7,638,205
Tier 2 General Service	10.42%	123,113,364	12,828,413	10.34%	125,634,641	12,990,622
Total General Service		**249,122,099**	**20,111,718**		**260,824,117**	**20,628,827**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$249,122,099**	**$20,111,718**		**$260,824,117**	**$20,628,827**
Employer normal cost rate						
General Service			**8.07%**			**7.91%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.07%**			**7.91%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	403,407,903	413,952,327
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**	**$10,121,217**	**$10,121,217**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(1,141,642)	(1,141,642)
5. Side account earnings during 2011		273,028	273,028
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$9,251,603**	**$9,251,603**

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$9,251,603	$10,121,217
Side Account 2	0	0
Side Account 3	0	0
Total	**$9,251,603**	**$10,121,217**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$9,251,603	$10,121,217
2. Combined valuation payroll	12,168,208	13,118,819
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(6.54%)	(6.36%)

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Wasco County Soil-Water Conservation District/2826
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Wasco County Soil-Water Conservation District/2826

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Wasco County Soil-Water Conservation District/2826

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Wasco County Soil-Water Conservation District -- #2826

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Wasco County Soil-Water Conservation District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Wasco County Soil-Water Conservation District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Wasco County Soil-Water Conservation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(4.98%)	(4.98%)	(4.98%)	(4.98%)	(4.98%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.95%**	**15.95%**	**20.62%**	**11.80%**	**14.53%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.54%**	**16.54%**	**21.21%**	**12.29%**	**15.02%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.31%	10.31%	15.78%	6.55%	9.26%
July 1, 2013 to June 30, 2015	15.95%	15.95%	20.62%	11.80%	14.53%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Wasco County Soil-Water Conservation District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$622,704	$444,479
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(226,360)	(232,038)
Allocated pooled OPSRP UAL	6,665	4,285
Side account	0	0
Net unfunded pension actuarial accrued liability	403,009	216,726
Combined valuation payroll	390,618	345,083
Net pension UAL as a percentage of payroll	103%	63%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.98%)	(5.54%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$10,119	$12,416
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	270,659	28,203	10.34%	267,802	27,691
Total General Service		**270,659**	**28,203**		**267,802**	**27,691**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$270,659**	**$28,203**		**$267,802**	**$27,691**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($232,038)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(6.28%)
B. Actual employer payroll	184,590
C. Payment to transition liability/(surplus)	(11,592)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.76%)
B. Actual employer payroll	188,405
C. Payment to transition liability/(surplus)	(10,853)
4. Supplemental payment to transition liability	0
5. Interest	(16,767)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($226,360)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(226,360)	(232,038)
2. Combined valuation payroll	390,618	345,083
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.98%)**	**(5.54%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	390,618	345,083
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Wasco County/2020
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Wasco County/2020

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Wasco County/2020

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Wasco County -- #2020

SEPTEMBER 2012

Secondary Employers

2049 Columbia Basin Nursing Home

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Wasco County to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Wasco County.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Wasco County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.01%	7.30%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(1.79%)	(1.79%)	(1.79%)	(1.79%)	(1.79%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.97%**	**14.26%**	**22.05%**	**13.23%**	**15.96%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.56%**	**14.85%**	**22.64%**	**13.72%**	**16.45%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.22%	10.14%	18.34%	9.00%	11.71%
July 1, 2013 to June 30, 2015	15.97%	14.26%	22.05%	13.23%	15.96%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Wasco County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$10,540,043	$8,745,633
Allocated pre-SLGRP pooled liability/(surplus)	(1,349,141)	(1,395,834)
Transition liability/(surplus)	(1,379,592)	(1,386,028)
Allocated pooled OPSRP UAL	112,811	84,305
Side account	0	0
Net unfunded pension actuarial accrued liability	7,924,121	6,048,076
Combined valuation payroll	6,611,694	6,789,909
Net pension UAL as a percentage of payroll	120%	89%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(1.79%)	(1.68%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$171,279	$244,290
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$2,191,985	$126,697	5.65%	$2,235,745	$126,320
Tier 2 General Service	10.42%	1,068,391	111,326	10.34%	1,281,836	132,542
Total General Service		**3,260,376**	**238,023**		**3,517,581**	**258,862**
Tier 1 Police & Fire	15.06%	403,157	60,715	14.74%	664,684	97,974
Tier 2 Police & Fire	15.12%	509,954	77,105	15.03%	481,228	72,329
Total Police & Fire		**913,111**	**137,820**		**1,145,912**	**170,303**
Total		**$4,173,487**	**$375,843**		**$4,663,493**	**$429,165**
Employer normal cost rate						
General Service			**7.30%**			**7.36%**
Police & Fire			**15.09%**			**14.86%**
Aggregate (Default)			**9.01%**			**9.20%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,386,028)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.60%)
B. Actual employer payroll	3,355,347
C. Payment to transition liability/(surplus)	(53,686)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(1.61%)
B. Actual employer payroll	3,412,553
C. Payment to transition liability/(surplus)	(54,942)
4. Supplemental payment to transition liability	0
5. Interest	(102,192)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,379,592)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,379,592)	(1,386,028)
2. Combined valuation payroll	6,611,694	6,789,909
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(1.79%)**	**(1.68%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	6,611,694	6,789,909
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

Washington County Consolidated Communications Agency/2695
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Washington County Consolidated Communications Agency/2695

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012

Washington County Consolidated Communications Agency/2695

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Washington County Consolidated Communications Agency -- #2695

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Washington County Consolidated Communications Agency to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Washington County Consolidated Communications Agency.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Washington County Consolidated Communications Agency

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.49%	8.30%	15.06%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.67%	0.67%	0.67%	0.67%	0.67%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.91%**	**17.72%**	**24.48%**	**15.69%**	**18.42%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.50%**	**18.31%**	**25.07%**	**16.18%**	**18.91%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	13.24%	13.06%	21.02%	11.37%	14.08%
July 1, 2013 to June 30, 2015	17.91%	17.72%	24.48%	15.69%	18.42%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Washington County Consolidated Communications Agency

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$10,274,721	$8,080,432
Allocated pre-SLGRP pooled liability/(surplus)	(1,315,180)	(1,289,665)
Transition liability/(surplus)	505,644	516,885
Allocated pooled OPSRP UAL	109,971	77,893
Side account	0	0
Net unfunded pension actuarial accrued liability	9,575,156	7,385,545
Combined valuation payroll	6,445,259	6,273,462
Net pension UAL as a percentage of payroll	149%	118%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.67%	0.68%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$166,968	$225,709
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$1,651,158	$95,437	5.65%	$1,763,088	$99,614
Tier 2 General Service	10.42%	1,955,259	203,738	10.34%	1,918,118	198,333
Total General Service		**3,606,417**	**299,175**		**3,681,206**	**297,947**
Tier 1 Police & Fire	15.06%	107,280	16,156	14.74%	175,628	25,888
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**107,280**	**16,156**		**175,628**	**25,888**
Total		**$3,713,697**	**$315,331**		**$3,856,834**	**$323,835**
Employer normal cost rate						
General Service			**8.30%**			**8.09%**
Police & Fire			**15.06%**			**14.74%**
Aggregate (Default)			**8.49%**			**8.40%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$516,885
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.78%
B. Actual employer payroll	3,101,442
C. Payment to transition liability/(surplus)	24,191
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.76%
B. Actual employer payroll	3,224,323
C. Payment to transition liability/(surplus)	24,505
4. Supplemental payment to transition liability	0
5. Interest	37,455
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$505,644**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	505,644	516,885
2. Combined valuation payroll	6,445,259	6,273,462
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.67%**	**0.68%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	6,445,259	6,273,462
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Washington County Fire District #2/2578
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Washington County Fire District #2/2578

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Washington County Fire District #2/2578

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Washington County Fire District #2 -- #2578

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Washington County Fire District #2 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Washington County Fire District #2.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Washington County Fire District #2

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.11%	7.92%	15.11%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	0.70%	0.70%	0.70%	0.70%	0.70%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**26.32%**	**19.13%**	**26.32%**	**17.48%**	**20.21%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**26.91%**	**19.72%**	**26.91%**	**17.97%**	**20.70%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	21.68%	14.21%	21.68%	12.76%	15.47%
July 1, 2013 to June 30, 2015	26.32%	19.13%	26.32%	17.48%	20.21%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Washington County Fire District #2

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,922,042	$1,439,147
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	98,230	87,643
Allocated pooled OPSRP UAL	20,572	13,873
Side account	0	0
Net unfunded pension actuarial accrued liability	2,040,844	1,540,663
Combined valuation payroll	1,205,683	1,117,321
Net pension UAL as a percentage of payroll	169%	138%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	0.70%	0.65%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$31,234	$40,199
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	105,954	15,957	14.74%	103,477	15,253
Tier 2 Police & Fire	15.12%	677,568	102,448	15.03%	659,388	99,106
Total Police & Fire		**783,522**	**118,405**		**762,865**	**114,359**
Total		**$783,522**	**$118,405**		**$762,865**	**$114,359**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.11%**			**14.99%**
Aggregate (Default)			**15.11%**			**14.99%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$87,643
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(1.07%)
B. Actual employer payroll	570,092
C. Payment to transition liability/(surplus)	(6,100)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.45%
B. Actual employer payroll	619,558
C. Payment to transition liability/(surplus)	2,789
4. Supplemental payment to transition liability	0
5. Interest	7,276
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$98,230**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	98,230	87,643
2. Combined valuation payroll	1,205,683	1,117,321
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.70%**	**0.65%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,205,683	1,117,321
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Washington County/2011
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Milliman

September 28, 2012
Washington County/2011

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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September 28, 2012

Washington County/2011

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Washington County -- #2011

SEPTEMBER 2012

Secondary Employers

2046 Washington County Fair Board

2532 Metzger Sanitary District

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Washington County to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Washington County.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Washington County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.25%	8.13%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	0.04%	0.04%	0.04%	0.04%	0.04%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.04%**	**16.92%**	**23.89%**	**15.06%**	**17.79%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.63%**	**17.51%**	**24.48%**	**15.55%**	**18.28%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.46%	12.25%	19.83%	10.65%	13.36%
July 1, 2013 to June 30, 2015	19.04%	16.92%	23.89%	15.06%	17.79%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Washington County

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$179,857,284	$146,275,958
Allocated pre-SLGRP pooled liability/(surplus)	(23,022,000)	(23,346,153)
Transition liability/(surplus)	467,489	478,427
Allocated pooled OPSRP UAL	1,925,031	1,410,054
Side account	0	0
Net unfunded pension actuarial accrued liability	159,227,804	124,818,286
Combined valuation payroll	112,823,192	113,565,301
Net pension UAL as a percentage of payroll	141%	110%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	0.04%	0.03%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,922,742	$4,085,900
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$25,502,393	$1,474,038	5.65%	$27,854,212	$1,573,763
Tier 2 General Service	10.42%	26,279,957	2,738,372	10.34%	26,939,778	2,785,573
Total General Service		**51,782,350**	**4,212,410**		**54,793,990**	**4,359,336**
Tier 1 Police & Fire	15.06%	8,886,266	1,338,272	14.74%	10,209,710	1,504,911
Tier 2 Police & Fire	15.12%	13,765,302	2,081,314	15.03%	13,540,554	2,035,145
Total Police & Fire		**22,651,568**	**3,419,586**		**23,750,264**	**3,540,056**
Total		**$74,433,918**	**$7,631,996**		**$78,544,254**	**$7,899,392**
Employer normal cost rate						
General Service			**8.13%**			**7.96%**
Police & Fire			**15.10%**			**14.91%**
Aggregate (Default)			**10.25%**			**10.06%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$478,427
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.04%
B. Actual employer payroll	56,304,574
C. Payment to transition liability/(surplus)	22,522
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.04%
B. Actual employer payroll	57,613,600
C. Payment to transition liability/(surplus)	23,045
4. Supplemental payment to transition liability	0
5. Interest	34,629
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$467,489**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	467,489	478,427
2. Combined valuation payroll	112,823,192	113,565,301
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.04%**	**0.03%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	112,823,192	113,565,301
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

West Extension Irrigation District/2540
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
West Extension Irrigation District/2540

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

West Extension Irrigation District/2540

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

West Extension Irrigation District -- #2540

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for West Extension Irrigation District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to West Extension Irrigation District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for West Extension Irrigation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.42%	10.42%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(4.70%)	(4.70%)	(4.70%)	(4.70%)	(4.70%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**14.47%**	**14.47%**	**19.14%**	**10.32%**	**13.05%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.06%**	**15.06%**	**19.73%**	**10.81%**	**13.54%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	8.75%	8.75%	14.22%	4.99%	7.70%
July 1, 2013 to June 30, 2015	14.47%	14.47%	19.14%	10.32%	13.05%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

West Extension Irrigation District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$579,320	$442,255
Allocated pre-SLGRP pooled liability/(surplus)	(74,154)	(70,586)
Transition liability/(surplus)	(198,436)	(206,620)
Allocated pooled OPSRP UAL	6,201	4,263
Side account	0	0
Net unfunded pension actuarial accrued liability	312,931	169,312
Combined valuation payroll	363,403	343,357
Net pension UAL as a percentage of payroll	86%	49%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(4.70%)	(4.96%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$9,414	$12,353
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	201,359	20,982	10.34%	194,617	20,123
Total General Service		**201,359**	**20,982**		**194,617**	**20,123**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$201,359**	**$20,982**		**$194,617**	**$20,123**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**10.42%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($206,620)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(7.26%)
B. Actual employer payroll	175,106
C. Payment to transition liability/(surplus)	(12,713)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(5.62%)
B. Actual employer payroll	180,967
C. Payment to transition liability/(surplus)	(10,170)
4. Supplemental payment to transition liability	0
5. Interest	(14,699)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($198,436)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(198,436)	(206,620)
2. Combined valuation payroll	363,403	343,357
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.70%)**	**(4.96%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	363,403	343,357
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

West Multnomah Soil And Water Conservation District/2867
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
West Multnomah Soil And Water Conservation District/2867

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

West Multnomah Soil And Water Conservation District/2867

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

West Multnomah Soil And Water Conservation District -- #2867

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for West Multnomah Soil And Water Conservation District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to West Multnomah Soil And Water Conservation District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for West Multnomah Soil And Water Conservation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.34%	7.34%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.85%**	**17.85%**	**25.60%**	**16.78%**	**19.51%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.44%**	**18.44%**	**26.19%**	**17.27%**	**20.00%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	13.48%	13.48%	21.54%	12.31%	15.02%
July 1, 2013 to June 30, 2015	17.85%	17.85%	25.60%	16.78%	19.51%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

West Multnomah Soil And Water Conservation District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$671,350	$431,587
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	7,186	4,160
Side account	0	0
Net unfunded pension actuarial accrued liability	678,536	435,747
Combined valuation payroll	421,133	335,074
Net pension UAL as a percentage of payroll	161%	130%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	0.00%	0.00%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$10,910	$12,055
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$80,020	$4,625	5.65%	$0	$0
Tier 2 General Service	10.42%	40,631	4,234	10.34%	41,219	4,262
Total General Service		**120,651**	**8,859**		**41,219**	**4,262**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$120,651**	**$8,859**		**$41,219**	**$4,262**
Employer normal cost rate						
General Service			**7.34%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.34%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$0
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$0**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	421,133	335,074
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**0.00%**	**0.00%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	421,133	335,074
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
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September 28, 2012

West Slope Water District/2589
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
West Slope Water District/2589

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

West Slope Water District/2589

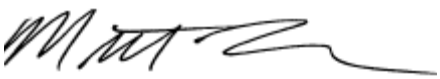
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



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The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

West Slope Water District -- #2589

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for West Slope Water District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to West Slope Water District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for West Slope Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.30%	9.30%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	3.75%	3.75%	3.75%	3.75%	3.75%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**23.56%**	**23.56%**	**29.35%**	**20.53%**	**23.26%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**24.15%**	**24.15%**	**29.94%**	**21.02%**	**23.75%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	19.34%	19.34%	25.81%	16.58%	19.29%
July 1, 2013 to June 30, 2015	23.56%	23.56%	29.35%	20.53%	23.26%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

West Slope Water District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$814,704	$520,366
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	222,950	227,895
Allocated pooled OPSRP UAL	8,720	5,016
Side account	0	0
Net unfunded pension actuarial accrued liability	1,046,374	753,277
Combined valuation payroll	511,058	404,000
Net pension UAL as a percentage of payroll	205%	186%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	3.75%	4.65%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$13,239	$14,535
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$88,806	$5,133	5.65%	$86,858	$4,907
Tier 2 General Service	10.42%	278,061	28,974	10.34%	275,325	28,469
Total General Service		**366,867**	**34,107**		**362,183**	**33,376**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$366,867**	**$34,107**		**$362,183**	**$33,376**
Employer normal cost rate						
General Service			**9.30%**			**9.22%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.30%**			**9.22%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$227,895
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	4.64%
B. Actual employer payroll	230,212
C. Payment to transition liability/(surplus)	10,682
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	4.27%
B. Actual employer payroll	252,437
C. Payment to transition liability/(surplus)	10,778
4. Supplemental payment to transition liability	0
5. Interest	16,515
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$222,950**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	222,950	227,895
2. Combined valuation payroll	511,058	404,000
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**3.75%**	**4.65%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	511,058	404,000
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

West Valley Housing Authority/2606
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
West Valley Housing Authority/2606

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

West Valley Housing Authority/2606

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

West Valley Housing Authority -- #2606

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for West Valley Housing Authority to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to West Valley Housing Authority.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for West Valley Housing Authority

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	7.57%	7.57%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(3.13%)	(3.13%)	(3.13%)	(3.13%)	(3.13%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**14.95%**	**14.95%**	**22.47%**	**13.65%**	**16.38%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.54%**	**15.54%**	**23.06%**	**14.14%**	**16.87%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	10.26%	10.26%	18.27%	9.04%	11.75%
July 1, 2013 to June 30, 2015	14.95%	14.95%	22.47%	13.65%	16.38%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

West Valley Housing Authority

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,648,892	$1,285,508
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(376,190)	(382,926)
Allocated pooled OPSRP UAL	17,648	12,392
Side account	0	0
Net unfunded pension actuarial accrued liability	1,290,350	914,974
Combined valuation payroll	1,034,338	998,039
Net pension UAL as a percentage of payroll	125%	92%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.13%)	(3.16%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$26,795	$35,908
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$408,580	$23,616	5.65%	$403,100	$22,775
Tier 2 General Service	10.42%	257,013	26,781	10.34%	250,598	25,912
Total General Service		**665,593**	**50,397**		**653,698**	**48,687**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$665,593**	**$50,397**		**$653,698**	**$48,687**
Employer normal cost rate						
General Service			**7.57%**			**7.45%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**7.57%**			**7.45%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($382,926)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.59%)
B. Actual employer payroll	501,936
C. Payment to transition liability/(surplus)	(18,020)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(3.27%)
B. Actual employer payroll	507,117
C. Payment to transition liability/(surplus)	(16,582)
4. Supplemental payment to transition liability	0
5. Interest	(27,866)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($376,190)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(376,190)	(382,926)
2. Combined valuation payroll	1,034,338	998,039
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.13%)**	**(3.16%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,034,338	998,039
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Western Lane Ambulance District/2754
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Western Lane Ambulance District/2754

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Western Lane Ambulance District/2754

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Western Lane Ambulance District -- #2754

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Western Lane Ambulance District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Western Lane Ambulance District.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Western Lane Ambulance District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.19%	8.19%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.28%)	(0.28%)	(0.28%)	(0.28%)	(0.28%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.66%**	**16.66%**	**23.56%**	**14.74%**	**17.47%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.25%**	**17.25%**	**24.15%**	**15.23%**	**17.96%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.05%	12.05%	19.54%	10.31%	13.02%
July 1, 2013 to June 30, 2015	16.66%	16.66%	23.56%	14.74%	17.47%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Western Lane Ambulance District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,603,474	$1,244,953
Allocated pre-SLGRP pooled liability/(surplus)	(205,247)	(198,699)
Transition liability/(surplus)	(32,626)	(33,020)
Allocated pooled OPSRP UAL	17,162	12,001
Side account	0	0
Net unfunded pension actuarial accrued liability	1,382,763	1,025,235
Combined valuation payroll	1,005,848	966,553
Net pension UAL as a percentage of payroll	137%	106%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.28%)	(0.28%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$26,057	$34,775
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$375,319	$21,693	5.65%	$374,394	$21,153
Tier 2 General Service	10.42%	406,983	42,408	10.34%	406,820	42,065
Total General Service		**782,302**	**64,101**		**781,214**	**63,218**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$782,302**	**$64,101**		**$781,214**	**$63,218**
Employer normal cost rate						
General Service			**8.19%**			**8.09%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.19%**			**8.09%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($33,020)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.26%)
B. Actual employer payroll	477,298
C. Payment to transition liability/(surplus)	(1,241)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.30%)
B. Actual employer payroll	523,433
C. Payment to transition liability/(surplus)	(1,570)
4. Supplemental payment to transition liability	0
5. Interest	(2,417)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($32,626)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(32,626)	(33,020)
2. Combined valuation payroll	1,005,848	966,553
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.28%)**	**(0.28%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,005,848	966,553
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Wickiup Water District/2817
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Wickiup Water District/2817

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012
Wickiup Water District/2817

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Wickiup Water District -- #2817

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Wickiup Water District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Wickiup Water District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Wickiup Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	9.15%	7.92%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.18%)	(0.18%)	(0.18%)	(0.18%)	(0.18%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.72%**	**16.49%**	**23.66%**	**14.84%**	**17.57%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.31%**	**17.08%**	**24.25%**	**15.33%**	**18.06%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	14.11%	14.11%	19.58%	10.35%	13.06%
July 1, 2013 to June 30, 2015	17.72%	16.49%	23.66%	14.84%	17.57%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Wickiup Water District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$118,222	$140,769
Allocated pre-SLGRP pooled liability/(surplus)	(15,133)	(22,467)
Transition liability/(surplus)	(1,528)	(1,565)
Allocated pooled OPSRP UAL	1,265	1,357
Side account	0	0
Net unfunded pension actuarial accrued liability	102,826	118,094
Combined valuation payroll	74,160	109,290
Net pension UAL as a percentage of payroll	139%	108%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.18%)	(0.12%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,921	$3,932
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	43,452	4,493
Total General Service		**0**	**0**		**43,452**	**4,493**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$0**	**$0**		**$43,452**	**$4,493**
Employer normal cost rate						
General Service			**7.92%**			**10.34%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**9.15%**			**10.34%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($1,565)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.12%)
B. Actual employer payroll	40,171
C. Payment to transition liability/(surplus)	(48)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.26%)
B. Actual employer payroll	39,196
C. Payment to transition liability/(surplus)	(102)
4. Supplemental payment to transition liability	0
5. Interest	(113)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($1,528)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(1,528)	(1,565)
2. Combined valuation payroll	74,160	109,290
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.18%)**	**(0.12%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	74,160	109,290
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 “tax remedy” adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Willamette Valley Fire & Rescue Authority/2868
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Willamette Valley Fire & Rescue Authority/2868

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Willamette Valley Fire & Rescue Authority/2868

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Willamette Valley Fire & Rescue Authority -- #2868

SEPTEMBER 2012

Secondary Employers

2580 Marion County Fire District #1

2610 Turner Fire District

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Willamette Valley Fire & Rescue Authority to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Willamette Valley Fire & Rescue Authority.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Willamette Valley Fire & Rescue Authority

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.39%	7.89%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	1.95%	1.95%	1.95%	1.95%	1.95%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**26.85%**	**20.35%**	**27.55%**	**18.73%**	**21.46%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**27.44%**	**20.94%**	**28.14%**	**19.22%**	**21.95%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	22.07%	15.08%	22.74%	13.51%	16.22%
July 1, 2013 to June 30, 2015	26.85%	20.35%	27.55%	18.73%	21.46%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Willamette Valley Fire & Rescue Authority

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$6,155,289	$5,302,901
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	875,579	754,583
Allocated pooled OPSRP UAL	65,881	51,118
Side account	0	0
Net unfunded pension actuarial accrued liability	7,096,749	6,108,602
Combined valuation payroll	3,861,169	4,117,051
Net pension UAL as a percentage of payroll	184%	148%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	1.95%	1.51%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$100,026	$148,125
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	5.78%	$129,027	$7,458	5.65%	$134,727	$7,612
Tier 2 General Service	10.42%	107,348	11,186	10.34%	107,100	11,074
Total General Service		**236,375**	**18,644**		**241,827**	**18,686**
Tier 1 Police & Fire	15.06%	1,087,751	163,815	14.74%	1,149,072	169,373
Tier 2 Police & Fire	15.12%	1,098,920	166,157	15.03%	1,153,825	173,420
Total Police & Fire		**2,186,671**	**329,972**		**2,302,897**	**342,793**
Total		**$2,423,046**	**$348,616**		**$2,544,724**	**$361,479**
Employer normal cost rate						
General Service			**7.89%**			**7.73%**
Police & Fire			**15.09%**			**14.89%**
Aggregate (Default)			**14.39%**			**14.21%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$754,583
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(4.48%)
B. Actual employer payroll	1,763,284
C. Payment to transition liability/(surplus)	(78,995)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	1.20%
B. Actual employer payroll	1,904,734
C. Payment to transition liability/(surplus)	22,857
4. Supplemental payment to transition liability	0
5. Interest	64,858
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$875,579**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	875,579	754,583
2. Combined valuation payroll	3,861,169	4,117,051
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**1.95%**	**1.51%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	3,861,169	4,117,051
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 28, 2012

Winston-Dillard Fire District/2552
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Winston-Dillard Fire District/2552

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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Milliman

September 28, 2012

Winston-Dillard Fire District/2552

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Winston-Dillard Fire District -- #2552

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Winston-Dillard Fire District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Winston-Dillard Fire District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Winston-Dillard Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.79%	10.42%	15.08%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	8.18%	8.18%	8.18%	8.18%	8.18%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**31.72%**	**27.35%**	**32.01%**	**23.20%**	**25.93%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**32.31%**	**27.94%**	**32.60%**	**23.69%**	**26.42%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	26.08%	20.77%	26.37%	17.01%	19.72%
July 1, 2013 to June 30, 2015	31.72%	27.35%	32.01%	23.20%	25.93%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Winston-Dillard Fire District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,610,103	$1,645,921
Allocated pre-SLGRP pooled liability/(surplus)	(206,096)	(262,695)
Transition liability/(surplus)	960,107	976,642
Allocated pooled OPSRP UAL	17,233	15,866
Side account	0	0
Net unfunded pension actuarial accrued liability	2,381,347	2,375,734
Combined valuation payroll	1,010,006	1,277,855
Net pension UAL as a percentage of payroll	236%	186%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	8.18%	6.30%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$26,165	$45,975
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	56,593	5,897	10.34%	53,740	5,557
Total General Service		**56,593**	**5,897**		**53,740**	**5,557**
Tier 1 Police & Fire	15.06%	497,540	74,930	14.74%	635,024	93,603
Tier 2 Police & Fire	15.12%	351,880	53,204	15.03%	316,497	47,569
Total Police & Fire		**849,420**	**128,134**		**951,521**	**141,172**
Total		**$906,013**	**$134,031**		**$1,005,261**	**$146,729**
Employer normal cost rate						
General Service			**10.42%**			**10.34%**
Police & Fire			**15.08%**			**14.84%**
Aggregate (Default)			**14.79%**			**14.60%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$976,642
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	7.40%
B. Actual employer payroll	629,208
C. Payment to transition liability/(surplus)	46,561
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	6.40%
B. Actual employer payroll	642,069
C. Payment to transition liability/(surplus)	41,093
4. Supplemental payment to transition liability	0
5. Interest	71,119
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$960,107**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	960,107	976,642
2. Combined valuation payroll	1,010,006	1,277,855
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**8.18%**	**6.30%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,010,006	1,277,855
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Winston-Dillard Water District/2600
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Winston-Dillard Water District/2600

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Winston-Dillard Water District/2600

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Winston-Dillard Water District -- #2600

SEPTEMBER 2012

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Winston-Dillard Water District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Winston-Dillard Water District.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Winston-Dillard Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.90%	8.90%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(2.86%)	(2.86%)	(2.86%)	(2.86%)	(2.86%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.55%**	**16.55%**	**22.74%**	**13.92%**	**16.65%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.14%**	**17.14%**	**23.33%**	**14.41%**	**17.14%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.15%	12.15%	19.39%	10.16%	12.87%
July 1, 2013 to June 30, 2015	16.55%	16.55%	22.74%	13.92%	16.65%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Winston-Dillard Water District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$580,960	$395,370
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(121,282)	(112,861)
Allocated pooled OPSRP UAL	6,218	3,811
Side account	0	0
Net unfunded pension actuarial accrued liability	465,896	286,320
Combined valuation payroll	364,432	306,956
Net pension UAL as a percentage of payroll	128%	93%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.86%)	(3.03%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$9,441	$11,044
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$74,287	$4,294	5.65%	$72,012	$4,069
Tier 2 General Service	10.42%	151,959	15,834	10.34%	148,026	15,306
Total General Service		**226,246**	**20,128**		**220,038**	**19,375**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$226,246**	**$20,128**		**$220,038**	**$19,375**
Employer normal cost rate						
General Service			**8.90%**			**8.81%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.90%**			**8.81%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($112,861)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	1.79%
B. Actual employer payroll	173,901
C. Payment to transition liability/(surplus)	3,113
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(2.15%)
B. Actual employer payroll	170,969
C. Payment to transition liability/(surplus)	(3,676)
4. Supplemental payment to transition liability	0
5. Interest	(8,984)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($121,282)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(121,282)	(112,861)
2. Combined valuation payroll	364,432	306,956
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(2.86%)**	**(3.03%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	364,432	306,956
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
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September 28, 2012

Woodburn Fire District/2676
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Woodburn Fire District/2676

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Woodburn Fire District/2676

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Woodburn Fire District -- #2676

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Woodburn Fire District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Woodburn Fire District.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Woodburn Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.10%	7.92%	15.10%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	5.43%	5.43%	5.43%	5.43%	5.43%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**31.04%**	**23.86%**	**31.04%**	**22.21%**	**24.94%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**31.63%**	**24.45%**	**31.63%**	**22.70%**	**25.43%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	26.90%	19.30%	26.90%	17.85%	20.56%
July 1, 2013 to June 30, 2015	31.04%	23.86%	31.04%	22.21%	24.94%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Woodburn Fire District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,739,540	$1,342,422
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	689,229	697,018
Allocated pooled OPSRP UAL	18,618	12,941
Side account	0	0
Net unfunded pension actuarial accrued liability	2,447,387	2,052,381
Combined valuation payroll	1,091,201	1,042,226
Net pension UAL as a percentage of payroll	224%	197%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	5.43%	5.51%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$28,268	$37,498
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	204,121	30,741	14.74%	202,146	29,796
Tier 2 Police & Fire	15.12%	539,752	81,611	15.03%	501,412	75,362
Total Police & Fire		**743,873**	**112,352**		**703,558**	**105,158**
Total		**$743,873**	**$112,352**		**$703,558**	**$105,158**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.10%**			**14.95%**
Aggregate (Default)			**15.10%**			**14.95%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	$697,018
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	5.59%
B. Actual employer payroll	492,246
C. Payment to transition liability/(surplus)	27,517
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	5.54%
B. Actual employer payroll	565,454
C. Payment to transition liability/(surplus)	31,326
4. Supplemental payment to transition liability	0
5. Interest	51,054
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**$689,229**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	689,229	697,018
2. Combined valuation payroll	1,091,201	1,042,226
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**5.43%**	**5.51%**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,091,201	1,042,226
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Yachats Rural Fire Protection District/2843
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 28, 2012
Yachats Rural Fire Protection District/2843

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Yachats Rural Fire Protection District/2843

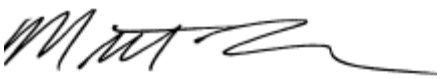
This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,



Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Yachats Rural Fire Protection District -- #2843

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Milliman has prepared this report for Yachats Rural Fire Protection District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Yachats Rural Fire Protection District.

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Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Yachats Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.02%	7.92%	15.02%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(4.33%)	(4.33%)	(4.33%)	(4.33%)	(4.33%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**21.20%**	**14.10%**	**21.20%**	**12.45%**	**15.18%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**21.79%**	**14.69%**	**21.79%**	**12.94%**	**15.67%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
		Tier 1/Tier 2		OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	16.81%	9.45%	16.81%	8.00%	10.71%
July 1, 2013 to June 30, 2015	21.20%	14.10%	21.20%	12.45%	15.18%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Yachats Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$186,133	$80,047
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(58,802)	(59,696)
Allocated pooled OPSRP UAL	1,992	772
Side account	0	0
Net unfunded pension actuarial accrued liability	129,323	21,123
Combined valuation payroll	116,760	62,147
Net pension UAL as a percentage of payroll	111%	34%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.33%)	(7.92%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$3,025	$2,236
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$0	$0	5.65%	$0	$0
Tier 2 General Service	10.42%	0	0	10.34%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	15.06%	0	0	14.74%	924	136
Tier 2 Police & Fire	15.12%	233	35	15.03%	118	18
Total Police & Fire		**233**	**35**		**1,042**	**154**
Total		**$233**	**$35**		**$1,042**	**$154**
Employer normal cost rate						
General Service			**7.92%**			**7.75%**
Police & Fire			**15.02%**			**14.78%**
Aggregate (Default)			**15.02%**			**14.78%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($59,696)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(5.25%)
B. Actual employer payroll	51,931
C. Payment to transition liability/(surplus)	(2,726)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(4.31%)
B. Actual employer payroll	58,554
C. Payment to transition liability/(surplus)	(2,524)
4. Supplemental payment to transition liability	0
5. Interest	(4,356)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($58,802)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(58,802)	(59,696)
2. Combined valuation payroll	116,760	62,147
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(4.33%)**	**(7.92%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	116,760	62,147
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 28, 2012

Yamhill Communications Agency/2726
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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Milliman

September 28, 2012
Yamhill Communications Agency/2726

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 28, 2012

Yamhill Communications Agency/2726

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Yamhill Communications Agency -- #2726

SEPTEMBER 2012

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CONTENTS

Executive Summary **1**

Employer Contribution Rates *2*

Accounting Information *4*

Principal Valuation Results *6*

- Employer 6
- SLGRP 7
- OPSRP 8
- Retiree Healthcare 9

Weighted Average Tier 1/Tier 2 Normal Cost **10**

Transition Liability Information **11**

Side Account Information **12**

Brief Summary of Methods and Assumptions **14**

Brief Summary of Changes in Plan Provisions **16**

Glossary **17**

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Executive Summary

Milliman has prepared this report for Yamhill Communications Agency to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Yamhill Communications Agency.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for Yamhill Communications Agency

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	8.45%	8.45%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Transition liability/(surplus) rate[2]	(0.09%)	(0.09%)	(0.09%)	(0.09%)	(0.09%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.11%**	**17.11%**	**23.75%**	**14.93%**	**17.66%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.70%**	**17.70%**	**24.34%**	**15.42%**	**18.15%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

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Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

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Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.55%	12.55%	19.75%	10.52%	13.23%
July 1, 2013 to June 30, 2015	17.11%	17.11%	23.75%	14.93%	17.66%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

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Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Yamhill Communications Agency

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$1,716,822	$1,308,854
Allocated pre-SLGRP pooled liability/(surplus)	(219,756)	(208,898)
Transition liability/(surplus)	(11,492)	(11,606)
Allocated pooled OPSRP UAL	18,375	12,617
Side account	0	0
Net unfunded pension actuarial accrued liability	1,503,949	1,100,967
Combined valuation payroll	1,076,950	1,016,164
Net pension UAL as a percentage of payroll	140%	108%
Pre-SLGRP pooled rate	(1.76%)	(1.69%)
Transition rate	(0.09%)	(0.09%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$27,899	$36,560
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

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Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

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Executive Summary

Principal Valuation Results (continued)

OPSRP

	Actuarial Valuation as of	
($ in millions)	**December 31, 2011**	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

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Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

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Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$302,111	$17,462	5.65%	$307,543	$17,376
Tier 2 General Service	10.42%	409,987	42,721	10.34%	410,070	42,401
Total General Service		**712,098**	**60,183**		**717,613**	**59,777**
Tier 1 Police & Fire	15.06%	0	0	14.74%	0	0
Tier 2 Police & Fire	15.12%	0	0	15.03%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$712,098**	**$60,183**		**$717,613**	**$59,777**
Employer normal cost rate						
General Service			**8.45%**			**8.33%**
Police & Fire			**15.09%**			**14.88%**
Aggregate (Default)			**8.45%**			**8.33%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

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Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($11,606)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(0.10%)
B. Actual employer payroll	501,925
C. Payment to transition liability/(surplus)	(502)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(0.09%)
B. Actual employer payroll	514,972
C. Payment to transition liability/(surplus)	(463)
4. Supplemental payment to transition liability	0
5. Interest	(851)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011 ***(1. - 2C. - 3C. - 4. + 5. + 6.)***	**($11,492)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2011	December 31, 2010
1. Total transition liability/(surplus)	(11,492)	(11,606)
2. Combined valuation payroll	1,076,950	1,016,164
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(0.09%)**	**(0.09%)**

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Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

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Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	1,076,950	1,016,164
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

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Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

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Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

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Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

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Glossary

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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